Disciplinary and Other FINRA Actions

Firm Suspended, Individual Sanctioned

ACAP Financial Inc. (CRD #7731, Salt Lake City, Utah) and Gary Hume (CRD #1216949, Registered Principal, Syracuse, Utah). The firm was fined $100,000, required to revise its procedures and retain an independent consultant to review and approve them. The firm was also suspended from receiving and liquidating penny stocks for which no registration statement is in effect until it implemented appropriate procedures approved by the consultant. Hume was fined $25,000, suspended from association with any FINRA member in any capacity for six months and required to requalify before acting in any capacity requiring qualification. The Securities and Exchange Commission (SEC) affirmed the sanctions imposed by the National Adjudicatory Council (NAC) following the firm's and Hume's petition for review of the sanctions imposed. The firm and Hume stipulated to the findings of misconduct.

The sanctions were based on findings that the firm, through a registered representative, sold 27 million unregistered shares of an entity to the public, resulting in proceeds of approximately $46,000. The findings stated that the firm and Hume, as its compliance officer, failed to take adequate measures to prevent the registered representative from selling the unregistered shares to the public. The firm and Hume relied on the lack of a restrictive legend on the stock certificates and the clearance of the stock through the transfer agent in making the determination that shares were freely tradable. The findings also stated that despite "red flags" that the stock sales may have been part of an illegal distribution, the firm and Hume failed to take steps to ensure that the registered representative ascertained the information necessary to determine whether the unregistered shares could be sold in compliance with Securities Exchange Act Section 5. Hume failed to undertake any other due diligence to obtain information about the issuer of the securities. The findings also included that although Hume was responsible for creating and maintaining the firm's written supervisory procedures (WSPs), the firm did not have written or formal procedures regarding restricted stock transactions or the receipt of stock certificates, given its business model. The firm's procedures did not provide any guidance on determining whether the stock was freely tradable.

The decision has been appealed to the U.S. Court of Appeals and the sanctions are not in effect pending consideration of the appeal. (**FINRA Case #2007008239001**)

Reported for November 2013

FINRA has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

Firm and Individual Fined

Andes Capital Group, LLC (CRD #139212, Chicago, Illinois) and Mohammed Moqbul Elahi (CRD #4522290, Registered Principal, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm and Elahi were each fined $10,000. A lower fine was imposed after considering, among other things, the firm's revenues and financial resources. Without admitting or denying the findings, the firm and Elahi consented to the described sanctions and to the entry of findings that pursuant to the firm's WSPs, Elahi was responsible for reviewing outside business activity forms and ensuring that amended Uniform Applications for Securities Industry Registration or Transfer (Forms U4) were timely filed to report outside activities. The findings stated that the firm, acting through Elahi, failed to amend Forms U4 to disclose outside business activities of its registered representatives within 30 days of learning of the activities. In fact, between one and three years passed between the time the firm learned of the outside activities and when the Forms U4 were amended. The findings also stated that the firm, acting through Elahi, was aware that a registered representative of the firm was not registered as a principal, and nevertheless permitted him to act in a principal capacity by signing checks for the firm and reviewing financial records. The findings also included that the firm failed to file Municipal Securities Rulemaking Board (MSRB) G-37 Forms within one month following the end of the quarter in which it participated in municipal offerings as the lead underwriter. The firm failed to disclose on quarterly MSRB G-37 Forms that it had participated in the underwriting of school bond offerings and that it had participated as a co-lead underwriter for a school bond offering.

FINRA found that the firm failed to accurately report to the Trade Reporting and Compliance Engine (TRACE) some TRACE-eligible securities transactions. The firm failed to prepare and maintain accurate order tickets in some transactions, and failed to prepare and maintain any order tickets for some TRACE-eligible securities transactions. The firm failed to record the order receipt time for some transactions and failed to record the time of order entry for some of those transactions. FINRA also found that the firm had in place adequate WSPs that specified that all TRACE-eligible securities transactions were to be reported within required timeframes, TRACE report cards were to be reviewed, and corrective action was to be taken if necessary. However, the firm failed to enforce these WSPs. (**FINRA Case #2013035046401**)

Firms Fined

Argentus Securities, LLC (CRD #45915, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $150,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that its anti-money laundering (AML) program required monitoring for potentially suspicious activity and AML red flags, investigating potentially suspicious

activity and reporting suspicious activity by filing a suspicious activity report (SAR), as appropriate. When the firm received stock certificates from third parties into a customer's account in the names of the third parties, and the shares were later liquidated, and the proceeds distributed to the customer back to the third parties, the firm failed to adequately supervise and monitor the activity, and report it on a SAR.

The firm had a number of foreign associates and processed a significant amount of wires originating from clients in South America. In certain instances, the firm did not adequately investigate and monitor some of the wires for suspicious activity or report it, if necessary. Even when a wire transfer, by a customer, purportedly to a third party, was to an unrelated third party and the customer's explanation was inconsistent with his stated business purpose and the facts, the firm permitted the activity to continue and failed to report it on a SAR, if necessary. In another instance, one of the firm's customers, over the course of approximately one year, deposited $2 million into his account and subsequently transferred the funds through wire transfers to various third-party bank accounts, but only conducted two securities transactions; the firm permitted the activity to continue and failed to report it on a SAR, if necessary. The firm permitted an activity to continue and failed to report it on a SAR when, a foreign customer, without explaining why, limited part of a wire transfer below the $10,000 threshold (the government-reporting requirement threshold), when he had earlier attempted to keep other simultaneous transfer disbursements, to an overseas account, slightly below the threshold. The findings stated that the firm did not implement an adequate employee AML training program. The findings also included that the firm did not have supervisory procedures to adequately review and monitor the content of an investment-related radio show broadcast by its representative. The firm's WSPs required a registered principal to sign all new account forms, but it failed to act accordingly. When a firm registered representative sold a private placement outside of the firm, the firm did not recognize that the representative sold one private placement of his disclosed outside business that was actually a private securities transaction, and failed to obtain further information about the sale, which was necessary to review and approve the sale and to supervise it as a private securities transaction. The firm assigned a registered representative's spouse in a branch office to supervise her husband's activity, which created a potential conflict of interest because the supervisory principal was approving transactions in which she may have had an economic interest.

FINRA found that the firm failed to designate an appropriate registered principal in an Office of Supervisory Jurisdiction (OSJ) to carry out the supervisory responsibilities assigned to that office. FINRA also found that the firm failed to conduct two annual audits at one of its OSJ branch offices. The firm had written inspection reports for two of its OSJs that failed to include the testing and verification of its supervisory policies and procedures regarding validation of customer address changes and validation of changes in customer account information. In addition, FINRA determined that the firm allowed its representatives and supervisors to use outside email addresses to send electronic communications related to the firm's securities business. The firm failed to ensure that these outside emails were

forwarded or addressed to an email address with the firm's domain name, retained on the firm's email system and reviewed. Moreover, FINRA found that the firm failed to timely perform the required testing of its supervisory procedures for two years and failed to timely notify FINRA of its reliance on the Limited Size and Resources exception one year. The firm failed to timely comply with its certification requirement for three years and have its chief executive officer (CEO) certify annually that it had processes in place for establishing, maintaining, reviewing, testing, and modifying written compliance policies and supervision procedures reasonably designed to achieve compliance with applicable rules and federal securities laws and regulations; and the CEO has conducted meeting(s) with its chief compliance officer (CCO) during the preceding 12 months to discuss the processes. Furthermore, FINRA found that the firm conducted a securities business while not in capital compliance on separate days. In connection with the failures, the firm failed to file the requisite notifications of its net capital deficiencies at certain times, failed to file early warning notifications at certain times, and filed inaccurate Financial and Operational Combined Uniform Single (FOCUS) reports. (**FINRA Case #2011025621801**)

Brill Securities, Inc. (CRD #18565, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured; fined $25,000; ordered to pay $8,544.67, plus interest, in restitution to customers; and required to revise its WSPs regarding NASD Rule 2440, Interpretative Material (IM) 2440-1 and IM-2440-2 as applied to corporate bond transactions. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it sold municipal securities for its own account to customers at an aggregate price (including any markdown or markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction; the expense involved in effecting the transaction; the fact that the broker, dealer or municipal securities dealer is entitled to a profit; and the total dollar amount of the transaction. The findings stated that the firm sold corporate bonds to customers and failed to sell such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning NASD Rule 2440, IM-2440-1 and IM 2440-2 as applied to corporate bond transactions. (**FINRA Case #2012031874701**)

Brookville Capital Partners LLC. (CRD #102380, Uniondale, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $25,000, and ordered to pay $23,578, plus interest, in restitution to customers. A lower fine was imposed after considering, among other things, the firm's revenues and financial resources. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish and maintain a supervisory system, including

written procedures, reasonably designed to achieve compliance with NASD and FINRA rules in connection with the sale of non-traditional exchange-traded funds (ETFs) to certain retail customers. The firm supervised non-traditional ETFs the same way it supervised traditional ETFs until FINRA issued a relevant *Regulatory Notice*. In short, the firm failed to sufficiently tailor its procedures to the unique features and risks involved with these products and did not create procedures to address the risks associated with longer term holding periods in non-traditional ETFs. The firm also failed to provide adequate training to registered representatives concerning non-traditional ETFs and allowed its registered representatives to recommend to customers a non-traditional ETF without performing reasonable diligence to understand the risks and features associated with it. As a result, the firm failed to establish a supervisory system, including WSPs, reasonably designed to achieve compliance with applicable NASD and/or FINRA rules in connection with the sale of non-traditional ETFs and violated suitability rules.

Further, FINRA found that the firm participated in an offering of common stock that was contingent on raising a minimum of $2,000,000 on or before a certain date. The private placement memorandum (PPM) for the offering represented that if the minimum was not raised from sales of securities by a certain date, all funds would be refunded to investors. The issuer raised $2,000,000 by selling $200,000 of common stock to affiliates of the issuer; and because the $2,000,000 amount raised included sales to affiliates of the issuer, the minimum contingency was not properly satisfied. Nevertheless, the firm caused the escrow agent to disburse all funds the issuer and the firm received. FINRA also found that the firm received customer complaints reportable to FINRA but failed to timely report the complaints until after FINRA staff brought these matters to the firm's attention. (**FINRA Case #2011025868701**)

Buckman, Buckman & Reid, Inc. (CRD #23407, Shrewsbury, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $50,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it appended a trade reporting modifier/national market system (NMS) exemption code to trades reported to the FINRA/NASDAQ Trade Reporting Facility (FNTRF) without providing a reasonable justification. The firm executed short sale transactions and failed to report each of the transactions to the FNTRF with a short sale modifier. The findings stated that the firm incorrectly appended an account type code of "A" for orders received from retail customers, incorrectly submitted to the Order Audit Trail System (OATS™) the long/short indicator and account type, incorrectly submitted to OATS a buy/sell code of "SX," failed to submit an OATS report including the receipt and routing of an order in full, failed to append the "Not Held" special handling code to new order reports submitted to OATS, and incorrectly appended an account type code of "A." The findings also stated that the firm incorrectly marked short sales as long. The findings also included that the firm inaccurately denoted its compensation type as commission on customer confirmations, failed to accurately disclose its capacity and compensation type and append an average price disclosure, and failed to append capacity and/or average price disclosure on customer confirmations.

FINRA found that the firm failed to establish, maintain and enforce written policies and procedures reasonably designed to prevent trade-throughs of protected quotations in NMS stocks that do not fall within any applicable exception, and if relying on an exception, are reasonably designed to assure compliance with the terms of the exception. FINRA also found that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with SEC Rule 611(a)(1) of Regulation NMS. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations, and FINRA and SEC rules addressing trading and market-making topics. In addition, FINRA determined that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs in various trading and market-making topics. Moreover, FINRA found that the firm executed short sale orders and failed to properly mark the orders as short. The firm effected short sales in an equity security for its own account, without borrowing the security or entering into a *bona fide* arrangement to borrow the security, or having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date the delivery is due, and documenting compliance with Rule 203(b)(1) of Regulation SHO. (**FINRA Case #2012030983601**)

Citadel Securities LLC (CRD #116797, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $35,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted reports to OATS that omitted special handling codes or contained inaccurate special handling codes. The findings stated that the firm incorrectly designated to the FNTRF last sale reports of transactions in designated securities as ".PRP". The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA rules addressing minimum requirements for adequate WSPs in trade reporting (accurate and timely reporting); accepting matching trades in a timely manner; reporting trades on member's behalf; OATS (accuracy of OATS data); other rules (sub-penny orders w/.01, sub-penny orders w/.0001); use of multiple MPIDs (use of MPIDs, MPID access, MPID activity); and sale transactions for a trading desk (locate requirements). The firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning best execution (execution of block-sized, "not-held" or customer orders with special pricing conditions, handling of multiple orders concurrently); and use of multiple MPIDs. (**FINRA Case #2010021590501**)

Citadel Securities LLC (CRD #116797, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report to the FNTRF the correct symbol indicating the capacity in which it executed orders in reportable securities in numerous instances. (**FINRA Case #2011027985401**)

Citigroup Global Markets Inc. (CRD #7059, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $32,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to accept or decline in the Over-the-Counter Trade Reporting Facility (OTCRF) or the FNTRF transactions in reportable securities within 20 minutes after execution that the firm was required to accept or decline within 20 minutes. (**FINRA Case #2012033323501**)

Columbus Advisory Group, Ltd. fka Olympia Asset Management, Ltd. (CRD #126331, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $30,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it charged its customers a handling fee, in addition to a commission, on securities transactions. The findings stated that the handling fee was fixed at $40 per transaction and was not attributable to any specific cost or expense the firm incurred in executing the trade, or determined by any formula applicable to all customers. The handling fee was determined by the firm, not by the individual representative executing the order. Although reflected on customer trade confirmations as an additional fee, a substantial portion of the fee actually served as a source of additional transaction-based remuneration or revenue to the firm, in the same manner as a commission, and was not directly related to any specific handling services the firm performed, or handling-related expenses the firm incurred, in processing the transaction. The firm's characterization of the charge as being an additional fee on customer confirmations and as a ticket fee in other correspondence was therefore improper. By designating the charge as such, the firm understated the amount of total commissions the firm charged and misstated the purpose of the fee. The findings also stated that the firm, through its registered representatives, sent email communications that contained misrepresentations regarding the source of the ticket fee charged on securities transactions. In each instance, a customer inquired and/or complained about the $40 fee and was told the clearing firm charged the fee when, in fact, it was charged by the firm and included in its revenue. (**FINRA Case #2012032027401**)

Credit Suisse Securities (USA) LLC (CRD #816, New York New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $110,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that during various review periods, it failed to report to TRACE the correct contra-party's identifier for S1 and P1 transactions in TRACE-eligible corporate and agency securities. During late review periods, the firm failed to report S1 transactions in TRACE-eligible corporate securities to TRACE within 15 minutes of the execution time. The findings stated that the firm failed to report P1 transactions in TRACE-eligible corporate securities to TRACE by the next business day (T+1) after execution. The firm reported transactions in TRACE-eligible securities to TRACE it was not required to report. The findings also stated that in various review periods, the firm failed to report to TRACE the correct market identifier for some S1 and P1 transactions in TRACE-eligible corporate and agency

securities. The findings also included that during various review periods, the firm failed to report to TRACE some S1 and P1 transactions in TRACE-eligible securities that it was required to report. FINRA found that during a review period, the firm double-reported one transaction in a TRACE-eligible agency security to TRACE, and during various review periods, reported transactions to TRACE in TRACE-eligible securities it was not required to report. (**FINRA Case #2010025448101**)

First New York Securities, L.L.C. (CRD #16362, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $150,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it lacked a written plan of organization that identified each aggregation unit, specified each aggregation unit's trading objective(s) and supported each aggregation unit's independent identity. The findings stated that the firm failed to preserve for a period of not less than six years, the first two in an accessible place, a securities record or ledger, as defined by SEC Rule 17a-3(a)(5), concerning trading that occurred in firm accounts the firm claimed collectively constituted an aggregation unit of the firm. Accordingly, the firm could not substantiate (with documentary evidence) that trading in these accounts in each security was netted together for purposes of Rule 200(f)(2). The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with Rule 200(f) of Regulation SHO. (**FINRA Case #2010023762301**)

ITG Derivatives, LLC (CRD #38455, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $20,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to timely report Reportable Order Events (ROEs) to OATS and transmitted Route or Combined Order/Route Reports to OATS that OATS was unable to link to the related order routed to NASDAQ due to inaccurate, incomplete or improperly formatted data. The findings stated that the late ROEs, which related to events dating as far back as 2007, were all submitted to OATS four years later. (**FINRA Case #2011030399801**)

Keybanc Capital Markets Inc. (CRD #566, Cleveland, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit numerous ROEs to OATS on numerous business days. (**FINRA Case #2010023286701**)

Lancaster Pollard & Co., LLC (CRD #24110, Columbus, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $50,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to adequately implement its written Customer Identification Program (CIP) in connection with some new customer accounts that were opened for investment advisory firms purchasing municipal securities, at what time it mistakenly believed that the investment advisory firms were not defined as customers.

The firm did not collect the required CIP information for the customers and did not verify the identity of these customers through either documentary or non-documentary methods. The findings stated that the firm did not review the U.S.A. Patriot Act Section 314(a) requests that it received from the Financial Crimes Enforcement Network (FinCEN) in connection with these new customer accounts. The findings also stated that the firm conducted a securities business while failing to maintain its required minimum net capital. These net capital deficiencies resulted from when the firm failed to take an open contractual commitment haircut on securities that it committed to underwrite and because the firm's required minimum net capital increased when the firm began carrying accounts of institutional investors who purchased securities underwritten by the firm. The findings also included that the firm failed to establish customer accounts and prepare account records for investment adviser and bank customers that purchased fixed income securities underwritten by the firm. The firm mistakenly believed that the investment advisory firms and banks were not defined as customers. The firm failed to prepare and maintain order memoranda for its municipal securities transactions executed for more than two years. The firm mistakenly believed that its confirmations of these transactions were sufficient as order memoranda.

FINRA found that the firm executed municipal securities transactions and the confirmations for some of these transactions inaccurately disclosed a 0 percent yield. FINRA also found that in some of the municipal transactions the firm executed, it failed to report the transaction or failed to report the transaction accurately. In addition, FINRA determined that in some municipal underwritings in which the firm participated, it failed to provide some customers with a copy of the Official Statement (OS) or with a notice advising them of how to obtain a copy of the OS. In another underwriting, the firm delivered an OS to the Electronic Municipal Market Access (EMMA) system late. (**FINRA Case #2010021007601**)

Lazard Capital Markets LLC (CRD #134736, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $40,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted Combined Order/Route Reports to OATS that OATS was unable to link to the related order routed to the New York Stock Exchange (NYSE) due to inaccurate, incomplete or improperly formatted data. The findings stated that the firm failed to enforce its WSPs, which specified that OATS website screen shots evidencing daily OATS supervisory reviews would be printed and initialed by the reviewer for documentation. The findings also stated that the firm transmitted numerous ROEs to OATS that OATS rejected for context or syntax errors and were repairable, but the firm failed to repair 50.05 percent of the rejected ROEs, so it failed to transmit them to OATS during the review period. The firm also failed to repair some of the rejected ROEs within the required five business days, and failed to populate the correct Rejected ROE Reconciliation ID for some of the rejections. The findings also included that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning OATS. The firm failed to provide documentary evidence that it conducted daily OATS supervisory reviews as set forth in its WSPs. (**FINRA Case #2012033855801**)

Lime Brokerage LLC (CRD #104369, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $22,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to properly mark long sale orders as long. The findings stated that the firm transmitted reports to OATS that failed to submit the correct special handling codes, and in one instance, the firm failed to report an order to OATS. (**FINRA Case #2011026144401**)

L.J. Hart and Company (CRD #28867, St. Louis, Missouri) submitted an Offer of Settlement in which the firm was censured and fined $200,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that its ticket-gifting program resulted in the firm improperly gifting tickets valued at $183,546 to municipal issuer representatives associated with its clients. The findings stated that the firm is a municipal underwriting firm that purchased season tickets for games of various sport teams, and also purchased tickets for playoff games or additional tickets for regular season games the firm believed municipal issuer representatives would enjoy. The findings also stated that the firm distributed the tickets to municipal issuer representatives associated with municipal entities that it considered the firm's customers. If a municipal entity chose to use another firm's services, the firm no longer considered that entity a customer, and the municipal issuer representatives for that entity did not receive tickets from the firm. The findings also included that the firm gave multiple sets of tickets and more expensive tickets to municipal issuer representatives associated with clients that retained the firm to underwrite multiple financing projects.

FINRA found that the firm failed to establish and maintain a supervisory system designed to achieve compliance with applicable MSRB rules. The firm's WSPs regarding gifts and gratuities improperly stated the requirements of MSRB Rule G-20. The policy the firm established and maintained failed to note that MSRB Rule G-20 states that the exemption for occasional gifts of meals or tickets to theatrical, sporting and other entertainment only applies if such events are hosted by the broker, dealer or municipal securities dealer. Nevertheless, the firm gifted numerous tickets to sporting events that the firm did not host. FINRA also found that the firm's written procedures did not contain any procedures detailing how its personnel would be supervised to ensure that they did not give anything of service or value in excess of $100 per year to anyone in relation to the municipal securities activities of the recipient's employer. The firm's procedures failed to designate any specific individual responsible for supervising the ticket gifting program, specify the manner in which such supervision should be performed, specify the frequency of any supervisory review, and identify a process for documenting any supervisory review. The firm's activities went unchecked by any supervisor or supervisory process, and resulted in the gifting of numerous tickets to sporting events the firm did not host, in violation of MSRB Rule G-20. Pursuant to the Offer of Settlement, all claims under MSRB Rule G-17 were dismissed. (**FINRA Case #2011027491601**)

Martinez-Ayme Financial Group Incorporated dba Martinez-Ayme Securites (CRD #109838, Miami, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that an issuer raised approximately $2.7 million from accredited investors pursuant to a series of private placements of 3.3 million shares of the issuer's common stock (the offerings). The findings stated that the issuer also issued warrants to investors in connection with a number of these private offerings, which were made pursuant to an exemption from registration requirements under Regulation D and/or Section 4(2) of the Securities Act of 1933. The offerings were conducted on a best-efforts basis and did not require any minimum contingency amounts to be raised. The firm acted as the exclusive placement agent and manager for the offerings, and was paid a placement agent and manager fee of 10 percent of the gross proceeds of each offering. Despite participating in the offerings as the exclusive placement agent and manager, the firm failed to file any notice with FINRA. The findings also stated that the firm was the manager and exclusive placement agent for the distribution of several offerings of the issuer; thus, it was a distribution participant and subject to the prohibitions regarding bidding for or purchasing the issuer's shares during restricted periods. Despite the prohibitions, the firm placed market-maker bid quotations and engaged in purchases of the issuer's shares during Regulation M restricted periods. The findings also included that the firm failed to establish, maintain, and enforce WSPs pertaining to the firm's compliance with Regulation M or FINRA Rule 5190. (**FINRA Case #2013037419101**)

Mercator Associates, LLC (CRD #112903, Toronto, Canada) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $50,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted reports to OATS concerning orders in which the firm failed to append one or more special handling codes; failed to report an order receipt time or reported an inaccurate one; failed to submit Route Reports for orders; failed to report share quantity for orders, or reported an inaccurate one; failed to submit individual New Order and Route Reports for orders; failed to submit time-in-force information for orders or submitted inaccurate information; and failed to submit an accurate price for orders. The findings stated that the firm failed to document the time that it routed orders to its market-making desk. The findings also stated that the firm accepted or matched transactions to the FINRA OTCRF in an OTC equity security that failed to correctly identify the transaction as a short sale transaction. The firm failed to provide written notification disclosing to its customers that the transaction was executed at an average price. The findings also included that the firm failed to make publicly available for a calendar quarter a report on its routing of non-directed orders in covered securities during that quarter.

FINRA found that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations, and/or FINRA rules addressing minimum requirements for adequate written supervisory procedures in SEC Rule 606, the three quote rule, other aspects of best execution, anti-intimidation and coordination, trade reporting, sales transactions, trading halts, FINRA clearly erroneous trade filings, OATS, and books and records. FINRA also found that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning best execution, trade reporting and sales transactions. (**FINRA Case #2011026361801**)

Merrill Lynch, Pierce, Fenner & Smith Incorporated (CRD #7691, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000 in connection with a violation of MSRB Rule G-34. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that in May and June of 2011, it misreported to the Short-Term Obligation Rate Transparency (SHORT) System that interest rates associated with 373 auction rate securities (ARS) Committee on Uniform Security Identification Procedures (CUSIPs) were triggered by auction, rather than by resets to the maximum interest rates associated with those CUSIPs. In fact, no auctions had occurred with respect to any of the CUSIPs that were the subject of the erroneous reports. These erroneous reports represented approximately 82.7 percent of the reports that the firm made to SHORT during the relevant time period. (**FINRA Case #2011025580202**)

Merrill Lynch, Pierce, Fenner & Smith Incorporated (CRD #7691, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $325,000. In determining the sanctions in this matter, FINRA took into consideration several factors, including that the firm promptly self-reported all of the deficiencies set forth in this AWC; the firm took significant remedial action to prevent the reoccurrence of these deficiencies; and in early 2011, the firm engaged an independent consultant for a 22-month period to assist an internal task force with, among other things, introducing new technologies and processes designed to remedy the problems that had been caused by inaccurate upstream data. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it violated NASD Conduct Rules 2711 and 2110, and FINRA Rule 2010, in connection with the omission of disclosure information from research reports. As a result of an acquisition, the firm's Research Department was required to consider a company's relationship with the companies that were the subject of the research report (covered companies) in determining which required disclosures to include in research reports the firm issued. The findings stated that as a result of the compressed timeline of the acquisition, the company still used separate systems from the firm after the acquisition, and research and technology teams from the two entities were required to aggregate information about the entities' respective relationships with covered companies in order to generate complete and accurate required disclosures in research reports. However, the firm did not discover the errors occurred in

this aggregation process for more than a year. An upstream company file that was used to match companies covered by the firm's Research Department with the company revenues and client relationships included inaccurate data, and the process designed to update that file failed. As a result, the company information the firm's Research Data Repository used to determine disclosures was stale and resulted in the omission of required disclosures in approximately 19,200 research reports. The findings also stated that an additional disclosure deficiency began on an undetermined date when a third-party vendor provided incomplete data to the firm relating to covered companies. As a result of the incomplete data, an undetermined number of research reports relating to the covered companies failed to disclose whether the firm had managed or co-managed a public offering of the covered company's securities in the past 12 months. The missing data was discovered and corrected, but it has not been determined when the disclosure deficiency began or how many research reports were impacted by it.

The findings also included that, in September 2008, a new third-party vendor began providing the firm with stock price information that contained incorrect data related to certain covered companies that had been impacted by a stock split. The data problem occurred in each monthly file that the firm received from the vendor until March 16, 2011, and impacted nearly 14,000 fundamental equity research reports. As a result of the data problem, an undetermined but significant number of these reports included a price chart that retroactively adjusted the historical stock price of the covered company to reflect a subsequent stock split but did not provide the same retroactive adjustment to the historical price targets included in the chart. As a result, impacted price charts showed a distorted relationship between the historical stock price and the historical price target. These errors were also reflected on the firm's price charts website during this period.

FINRA found that although the firm's Research Department had policies, procedures and testing practices (procedures) with respect to research disclosures and price charts during the time period of the violations, the procedures focused on the downstream aspects of the research report creation process. The procedures did not effectively evaluate the accuracy of the data provided by internal and external data sources to the Research Department through the Research Data Repository, but rather were intended to ensure that the data was accurately and completely reflected on research reports. The procedures included separate steps for research analysts (who assembled research reports), supervisory analysts (whose approval was necessary before a research report was issued), and a support unit called Supervisory Analyst Support Services. FINRA also found that because the procedures were not designed to evaluate the underlying accuracy of the data from internal and external data sources in the Research Data Repository, and because the disclosure and price chart failures were caused by inaccuracies in underlying data, the procedures were ineffective in identifying the disclosure and price chart deficiencies. The firm also did not have procedures designed to ensure that third-party pricing information used for price charts was accurate as it related to corporate actions affecting the price of stock and such adjusted prices were accurately reflected on the price chart. (**FINRA Case #2011027434101**)

National Alliance Securities, LLC (CRD#39455, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $17,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securitized products to TRACE within the time required by FINRA Rule 6730. The firm additionally submitted improper TRACE reports by reporting allocation events not subject to TRACE reporting that were associated with reportable block transactions. The firm failed to report the correct time of trade execution for transactions in TRACE-eligible securitized products to TRACE. The findings stated that the firm failed show the correct execution time on some brokerage order memoranda related to securitized products. (**FINRA Case #2012033502301**)

PNC Investments LLC (CRD #129052, Pittsburgh, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $100,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that its supervisory control system failed to specify a procedure to detect or prevent the establishment of a customer account using a branch office as the mailing address or the change of an existing account to use a branch office as the mailing address. The findings stated that the firm's supervisory control system failed to include exception reports that would have identified if a customer's mailing address was the same as a branch office address. Consequently, the firm failed to detect that a registered representative had initiated transactions to generate checks to a customer, which were sent to the branch where the registered representative worked, which he thereafter intercepted and ultimately converted approximately $128,000. The findings also stated that the firm failed to establish, maintain and enforce a supervisory system reasonably designed to adequately review and monitor the transmittals of funds from customer accounts to locations other than the customer's primary residence and customer changes of address, and the validation of such changes of address, as required. (**FINRA Case #2013036648701**)

Primary Capital LLC (CRD #127921, New York, New York) submitted an Offer of Settlement in which the firm was censured and fined $25,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to establish and implement AML policies, procedures and internal controls reasonably expected to detect and cause the reporting of suspicious transactions under the Bank Secrecy Act, so the firm failed to identify or ignored red flags involving potentially suspicious transactions, and thus failed to investigate and consider whether to report suspicious transactions as appropriate. The findings stated that the firm's AML procedures were not tailored to the nature of its business. The procedures did not address proprietary trading, or market making and related suspicious activities that might arise, such as market manipulation, prearranged or other non-competitive trading, or other fictitious trading. The findings also stated that although the firm's written AML procedures emphasized the importance of monitoring customer account activity, its review was not reasonably designed to capture potentially suspicious securities transactions. The findings also

included that the firm's review of customer trading activity was limited to reviewing the trade blotters which were not designed to identify suspicious patterns of trading activity. The AML supervisor did not utilize the trade blotters for AML issues but reviewed them for excessive commissions. FINRA found that the firm's AML program required it to monitor for potentially suspicious activity and AML red flags and report suspicious activity by filing a SAR. A review of customer transactions revealed red flags of potentially suspicious transactions that should have prompted the firm to investigate further but due to its inadequate AML policies, procedures and internal controls, it failed to detect the transactions and failed to conduct further inquiries. (**FINRA Case #2009019902501**)

Raymond James & Associates, Inc. (CRD #705, St. Petersburg, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $15,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it disclosed incorrect execution capacities on confirms concerning orders, incorrectly disclosed it was a registered market maker in connection with transactions on confirms concerning orders, failed to disclose that it was a registered market maker with respect to transactions on confirms concerning orders and failed to disclose on confirms for orders that the transaction was executed at an average price. The findings stated that with respect to orders, the firm accepted orders from customers that were executed in whole or in part in the pre-market session or post-market session without disclosing to such customers that extended hours trading involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets, an exaggerated effect from news announcements, wider spreads and any other relevant risk. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws and regulations, and/or FINRA rules. The findings also stated that the firm's WSPs failed to provide for minimum requirements for adequate WSPs in registration and qualification, trade reporting, sales transactions, firm quote compliance, review of clearly erroneous transactions under FINRA rules, and OATS. (**FINRA Case #2010021597701**)

Ridgewood Securities Corporation (CRD #15453, Montvale, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $50,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to retain all of its internal business-related instant messages transmitted between its employees. The findings stated that the firm prohibited the use of instant messaging with external parties. (**FINRA Case #2012030681701**)

Robert W. Baird & Co. Incorporated (CRD #8158, Milwaukee, Wisconsin) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $50,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish and maintain a supervisory system and WSPs reasonably designed to enable the firm's supervisory personnel to perform an adequate review for cross trades that resulted in no beneficial change in ownership.

Although the firm's WSPs prohibited the firm's financial advisors from facilitating executions of cross trades with no beneficial change of ownership, the procedures failed to describe the steps the supervisor should take to review for such potentially improper conduct or how the supervisor should document such review. The findings stated that the firm failed to establish and implement an adequate AML program and AML policies and procedures as required by the Bank Secrecy Act, and implementing regulations thereunder, that were reasonably designed to detect and cause the reporting of cross trades without any beneficial change in ownership. (**FINRA Case #2009017614601**)

Stifel, Nicolaus & Company, Incorporated (CRD #793, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $20,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it reported inaccurate information on customer confirmations, consisting of failing to distinguish compensation from handling fees, failing to include a market maker disclosure, and incorrectly including an average price disclosure. The findings stated that the firm made available a report on the covered orders in NMS securities that it received for execution from any person. This report included incorrect information regarding the size of orders, and classifying orders in incorrect size buckets. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws and regulations, and/or FINRA rules. The findings also included that the firm's WSPs failed to provide for minimum requirements for adequate WSPs in supervisory systems, procedures and qualifications; short sale transactions; other trading rules (backing away and multiple quotations); information barriers; and minimum quotation requirements. FINRA found that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning order handling, anti-intimidation coordination, soft dollars accounts and trading, OATS reporting, books and records, and monitoring of electronic communications. (**FINRA Case #2010021598401**)

SunGard Brokerage & Securities Services LLC (CRD #104162, Geneva, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $30,000 and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted reports to OATS that contained inaccurate account type, member type and special handling codes; inaccurate MPIDs; and duplicative and/or inaccurate order reports. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA rules addressing minimum requirements for adequate supervisory procedures in order handling (disclosure of order routing information); sales transactions (affirmative determination); and soft dollar accounts and trading (preparing records, operating outside SEC-established safe harbors, records of research or other services provided, and monitoring research or services provided). The findings also stated that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning the use of multiple MPIDs. (**FINRA Case #2011026107701**)

Sweney Cartwright & Company (CRD #3546, Columbus, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $17,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to properly submit required information to EMMA. The firm inaccurately reported to EMMA that it was submitting OSs when the documents submitted were not OSs but Ohio Municipal Authority Detail Reports. The offerings at issue did not have OSs. The firm should have used a code indicating that no OS was prepared or required. In other instances, the firm failed to submit notice in EMMA prior to the closing date of an offering that the offering did not have an OS because it was exempt pursuant to SEC Rule 15c2-12. In one instance, the firm failed to submit notice in EMMA that the issuer or other obligated person had agreed to undertake to provide EMMA with required continuing disclosures. The findings also stated that the firm, with respect to some issues, recorded an approximate time of formal award rather than the exact time of formal award. The findings also included that in an instance, the firm failed to timely send the final settlement check to the only other syndicate member after the date the issuer delivered the securities to the syndicate, or 25 days late.

FINRA found that the firm reported a time of first execution that was less than two hours after all information required by the MSRB applicable rule had been transmitted to the new issue information dissemination system (NIIDS). In some offerings of short-term bearer notes, the firm failed to submit to NIIDS the respective CUSIP numbers and time of formal award for each such offering. FINRA also found that the firm failed to maintain written procedures and WSPs addressing its obligations and the requirements under applicable MSRB rules related to submit notice to EMMA that the issuer or other obligated person who had agreed to provide EMMA with required continuing disclosures. The firm also failed to have written WSPs addressing the requirements to submit CUSIP numbers and the time of formal award to NIIDS for offerings of short-term municipal securities. In addition, FINRA determined that the firm had underwritten new municipal securities offerings but failed to review EMMA to ensure the issuer or other obligated person who had agreed to provide continuing disclosures to EMMA had abided by previous commitments to provide continuing disclosures to EMMA during the previous five years. The firm failed to reasonably determine that a written agreement or contract to provide continuing disclosure existed. (**FINRA Case #2011025859001**)

UBS Securities LLC (CRD #7654, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $575,000. FINRA acknowledges that as a result of internal testing, the firm discovered the violations, internally investigated the causes and scope of the violations, and proactively took steps to remediate the problems prior to self-reporting the issues to FINRA. The firm also substantially assisted FINRA staff during its investigation. Accordingly, the sanctions reflect that the firm self-reported the violations and substantially assisted FINRA during the investigation. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to deliver certain trade

confirmations and account statements, and in certain instances failed to disclose required transaction information to institutional customers who executed trades in non-U.S. securities through firm non-registered foreign affiliates. The findings stated that the firm discovered during routine testing that in some instances, it either failed to produce or send paper and electronic trade confirmations and account statements, or sent such confirmations and account statements without certain required disclosure language to certain U.S. institutional clients. Additionally, trade confirmations for OTC equity derivative transactions lacked certain required disclosure language. The findings also stated that the firm's testing revealed instances of these failures as early as 2003. Improper coding of certain accounts caused the system to fail to recognize the transaction as one for which the firm should generate a confirmation. Instead, either the executing firm foreign affiliate produced and sent the confirmation electronically, or the firm generated a confirmation without the required disclosure language or no confirmation was produced at all. The findings also included that the firm used five main systems to generate product-specific trade confirmations and account statements. The firm's failure to send required Securities Exchange Act Rules 10b-10 and 15a-6 trade confirmations and account statements stemmed from missing or incorrect data or program indicators in the firm's main systems. Firm staff failed to capture and populate system fields with client-specific static data information that, had it been entered completely and accurately, would have triggered the generation of a required confirmation. The firm failed to send Exchange Act Rules 15a-6- and 10b-10-compliant paper trade confirmations and account statements for equities transactions, equity derivatives transactions and fixed income transactions effected by clients in client sub-accounts. The findings also include that by failing to send the trade confirmations and account statements, the firm did not comply with Exchange Act Rules 17a-3(a) and 17a-4, which mandate that firms create and preserve required books and records.

FINRA found that for all of the equities transactions and equity derivatives transactions, the customers received some type of electronic notice of execution stating the terms of the transaction. Of the affected fixed income transactions, approximately 49 percent did not receive either paper or electronic trade confirmations. For the affected transactions, firm foreign affiliates electronically provided to U.S. institutional customers notices of execution stating certain terms of the transactions. The contemporaneous notices for each transaction lacked 15a-6 language and 10b-10 disclosures, regarding, among other things, execution time, agency/principal capacity, seller/buyer name, remuneration, effects of redemption, ratings and yield details. In addition, the firm, rather than the affiliate, should have issued the trade confirmations. FINRA also found that the firm was required to issue paper trade confirmations regarding equities and fixed income transactions absent an agreement with the customers to accept electronic confirmations in lieu of paper. The firm and its non-registered foreign affiliates did not have such an agreement. In certain instances, either the firm or its foreign affiliate issued some form of electronic trade confirmations for equities and fixed income transactions instead of the required

paper confirmation, which did not comply with Exchange Act Rules 10-10 and 15a-6. The incorrect static data coding in the firm's systems also impacted the generation of customer account statements relating to the foreign affiliate transactions in non-U.S. securities for U.S. institutional customers. In addition, FINRA determined that the firm failed to deliver account statements it generated because the firm's system was missing customer address information in a static data field or the static data field was populated with an invalid customer address. Prior to July 2011, the firm did not have an adequate supervisory system, including robust exception reports, to monitor the Exchange Act Rule 15a-6 confirmation and account process. While the firm had a process to review a sample of confirmations periodically, none of the incorrectly coded accounts were part of the sample review; therefore, the static data issues were not timely identified. Those sample reviews were also not designed to detect if a code or indicator necessary for generation of a compliant 15a-6 confirmation was absent.

Moreover, FINRA found that the firm did not receive any customer complaints that trade confirmations and account statements were not being provided as required. Although the firm had a process to monitor for missing customer addresses, it detected incorrect customer addresses primarily through receipt of returned mail. The firm's inadequate supervision resulted in a failure to deliver Exchange Act Rules 10b-10(a)- and-15a-6 compliant paper trade confirmations and account statements. This constituted nearly 40 percent of clients' trades during this time period. Furthermore, FINRA found that because of the firm's failure to supervise, its institutional customers did not receive paper or electronic confirmations for the affected transactions. By August 2011, the firm had begun to implement reconciliation procedures and reports to correct the static data failures. Moreover, the firm enhanced its internal systems, created more robust daily and monthly exception reports, and revised its written policies and procedures to include more comprehensive protocols to monitor transactions in non-U.S. securities effected through non-registered foreign affiliates on behalf of U.S. institutional customers. With routine reconciliations and controls, the firm now verifies the effectiveness of the remediation efforts. (**FINRA Case #2012033156201**)

Wedbush Securities Inc. (CRD #877, Los Angeles, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $87,500 and required to revise its WSPs regarding short interest position reports. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that during a two-year short interest review period, it submitted inaccurate short interest position reports to FINRA and also failed to report short interest positions. The findings stated that during a two-year short interest review period, the firm submitted inaccurate short interest position reports to FINRA that included short interest positions for certain NASDAQ, NYSE, NYSE Amex, NYSE Arca, and OTC equity securities. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning short interest reporting. The findings also included that during a trade reporting

review period, the firm failed, within 90 seconds after execution, to transmit to the FNTRF last sale reports of transactions in NMS securities. FINRA found that the firm failed to report transactions in TRACE-eligible agency debt securities to TRACE within 15 minutes of the execution time. (**FINRA Case #2009016641301**)

Wells Fargo Advisors, LLC (CRD #19616, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $150,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that its supervisory control system failed to include a policy or procedure requiring a review to detect or prevent multiple transmittals of funds from multiple customers going to the same third-party accounts. The findings stated that the firm's system also failed to include exception reports that would have identified multiple customer wires going to the same third-party account. Consequently, the firm failed to detect that a registered representative had initiated fund transfers, totaling approximately $258,000, out of customer accounts, to bank accounts that she or her family member apparently controlled. The findings also stated that the firm failed to establish, maintain and enforce a supervisory system reasonably designed to adequately review and monitor the transmittals of funds from customer accounts to third-party accounts and outside entities as required. (**FINRA Case #2012031047501**)

Individuals Barred or Suspended

Salvatore Accardi (CRD #4936501, Registered Representative, Centereach, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Accardi consented to the described sanction and to the entry of findings that he failed to comply with FINRA requests to testify in connection with its investigation concerning allegations that he signed as a witness to non-genuine client signatures on their life insurance applications, signed a client's name on multiple life insurance application-related documents and had another person sign a client's name to several life insurance application-related documents. The findings stated that Accardi advised FINRA that he did not intend to have any further involvement in the financial industry and decided not to appear and testify at an on-the-record interview in connection with FINRA's investigation. (**FINRA Case #2011030736801**)

Paul David Arnold (CRD #2278472, Registered Principal, Clearwater, Florida) was barred from association with any FINRA member in any capacity. The Hearing Officer did not order Arnold to pay restitution because the customer sought and obtained treble damages from Arnold in arbitration. Although Arnold has not paid the award, the customer has a judgment against him and Arnold has already been suspended from the securities industry for failing to pay the award, pursuant to FINRA Rule 9554. The sanction was based on findings that Arnold misappropriated customer funds by transferring $242,000 from

the brokerage account of an elderly widower to a bank account in the customer's name. The customer trusted Arnold and authorized him to help handle his finances and pay his bills. Following the transfer, Arnold had the customer sign blank checks from the bank account, which he thought were to pay bills. The findings stated that Arnold wrote checks totaling $173,000 made payable to his wife and son, without the customer's authorization. The findings also stated that Arnold failed to testify at a FINRA on-the-record interview regarding his alleged misappropriation of funds. (**FINRA Case #2011029210401**)

Michael Anthony Barina (CRD #3242899, Registered Representative, Longwood, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $12,500 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Barina consented to the described sanctions and to the entry of findings that he recommended to customers an investment in a private placement investment pool, when he did not have a complete and sufficient understanding of the entity's investment strategy and parameters. The findings stated that the entity's investment strategy and parameters included that it could invest up to 25 percent of its assets in a single security, and that it could engage in options trading. Consequently, Barina lacked a reasonable basis to believe that the entity was a suitable investment for the customers, and thus, his recommendation of it to the customers was unsuitable. The findings also stated that Barina accepted a personal check made payable to him for $124,000 from another registered representative and colleague. The representative instructed Barina to keep $18,000 of the check amount as payment of a purported debt that the representative owed to Barina, and to deposit the balance, $106,000, into the account of the private placement investment pool. Barina deposited the full amount of the check into his personal bank account and subsequently transferred $106,000 to the entity's account. By depositing the full amount of the check into his personal bank account, Barina commingled the representative's funds with his own. The findings also included that Barina, on the entity's behalf, opened a brokerage account with a FINRA member firm. Barina disclosed his associated-person status to the account-holding firm, but failed to give notice to his member firm prior to opening the account.

The suspension is in effect from October 21, 2013, through January 20, 2014. (**FINRA Case #2013036635501**)

Levinski Dealexis Barnes (CRD #2292179, Registered Representative, Lutz, Florida) was barred from association with any FINRA member in any capacity and ordered to pay $36,700 in restitution, along with pre-judgment interest on any unpaid balance to a customer until paid in full. The restitution was due and payable in full on October 4, 2013. The sanctions were based on findings that Barnes had a customer wire $50,000 to an account Barnes designated for a personal bank account belonging to a company that he controlled to be used to bid on an accounting practice. The funds were to be held in escrow and returned promptly if the bid was unsuccessful. The findings stated that the investment opportunity was outside of the customer's brokerage account with Barnes'

member firm. The findings also stated that Barnes paid the customer a total of $13,300, but has not repaid the balance of $36,700. Barnes' delay in returning the $36,700 to his customer for more than five years is a misuse of customer funds. Barnes deposited the customer's funds in the account that was commingled with other funds controlled by Barnes and was not protected, as the customer intended, in an escrow account. Barnes did not have any authority to transfer control of the funds to anyone else. The manner in which the funds were transferred was profoundly reckless and not within the scope of the customer's authorization. The findings also included that pursuant to a mediation agreement approved by a bankruptcy court, Barnes owed his customer the unpaid funds, and yet he purposely did not make any payments. Barnes hoped to induce the customer to withdraw his complaint and help Barnes be reinstated in the securities industry. The customer has been deprived of his funds for years, and at least some of that time it was Barnes' affirmative intention to deprive him of the funds in order to achieve a personal benefit which was a conversion of the customer's funds. FINRA found that Barnes failed to timely and completely provide the information and documentation FINRA requested, and what he did provide did not give any insight into what he did with the money the customer entrusted to him. Barnes' failure to produce the requested information prevented FINRA from determining what exactly happened with the customer's money. (**FINRA Case #2010024271001**)

Francisca C. Becerra (CRD #4136592, Registered Representative, Roseville, California) submitted a Letter of Acceptance, Waiver and Consent in which she was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Becerra's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Becerra consented to the described sanctions and to the entry of findings that she borrowed funds totaling $38,657.41 from her customers at her firm. The findings stated that at the time of each loan, the firm's written procedures prohibited loans from any customers who were not immediate family members, and neither of the customers was Becerra's immediate family member. The findings also stated that on annual firm compliance questionnaires, Becerra falsely denied that she had ever borrowed money from a customer.

The suspension is in effect from October 7, 2013, through January 6, 2014. (**FINRA Case #2012032830301**)

Michael James Blake (CRD #2022161, Registered Principal, Paradise Valley, Arizona) submitted an Offer of Settlement in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for one year. Without admitting or denying the allegations, Blake consented to the described sanctions and to the entry of findings that he formed a limited liability company (LLC) and participated in its private securities transactions in the sale of investments of more than $3.2 million, including to

customers, without providing prior written notice to his member firms. The findings stated that Blake completed his firm's annual compliance questionnaires and attested that he understood he was not permitted to commingle his funds with a client's funds and that he was not to accept a client's check made payable to him or any entity or person associated with him for a securities transaction. Blake continued to accept checks made payable to his LLC entity and commingled his funds with clients' funds in the entity's bank account. The findings also stated that Blake never advised his firms orally or in writing that he was participating in the private securities transactions. To the contrary, Blake indicated each year, in annual compliance questionnaires, that he had not engaged in private securities transactions. The findings also included that Blake did disclose his LLC entity as an outside business in outside business activity (OBA) forms. Blake did not amend or update the outside business disclosure forms concerning the entity at any time, when its size, scope and activity changed, and caused the initial disclosure to become inaccurate and, given the nature and extent of its activities, misleading. Blake's false and incomplete information on compliance questionnaires and failure to update and correct his outside business disclosure misled his firm and deprived the firm of detecting his private securities transactions. FINRA found that Blake failed to provide his firm with any notice at all, including written notice, of a second limited liability company he caused to be created.

The suspension is in effect from October 7, 2013, through October 6, 2014. (**FINRA Case #2010021710501**)

Brian Matt Borakowski (CRD #4093679, Registered Principal, Scottsdale, Arizona) and George Alexander Kardaras (CRD #3184384, Registered Principal, Scottsdale, Arizona) were barred from association with any FINRA member in any capacity. FINRA did not request restitution to the customers who purchased the promissory notes because the Arizona Corporation Commission already ordered Borakowski and Kardaras to pay restitution. FINRA did not request restitution to the customer from whom Borakowski borrowed money because his firm settled with the customer, fully resolving the matter. The sanctions were based on findings that Borakowski and Kardaras engaged in securities fraud and defrauded investors who purchased promissory notes issued by a limited liability company Borakowski had organized and controlled. The findings stated that instead of investing the funds as represented, Borakowski and Kardaras used most of the funds to pay for business expenses related to their branch office businesses to pay personal expenses, and to further their Ponzi scheme with the use of investors' funds for payments to earlier investors. The findings also stated that the customers did not know Borakowski and Kardaras used funds to make payments to earlier investors, and did not authorize them to do so. Borakowski and Kardaras acted with scienter when they convinced firm customers to make investments while intending to use their investments for other purposes. This shows intent to deceive or defraud, and that Borakowski and Kardaras willfully made misstatements and omitted material facts in connection with the purchase of a security. The findings stated that Broakowski and Kardaras converted the customers' funds. The findings also included that Borakowski and Kardaras engaged in private securities transactions when they sold the

promissory notes to investors who were customers of their member firms, and did not provide prior written notification and the member firms did not participate in, nor were they aware of, the sales.

FINRA found that Borakowski borrowed $11,500 from a firm customer, contrary to his firm's procedures and approval, and executed a promissory note evidencing the loan with a repayment of $12,500. Borakowski sent the customer a check drawn on his company's bank account for $500, but did not repay the outstanding $12,000 balance he owed. Borakowski completed a branch audit questionnaire and falsely answered in response to the question regarding borrowing or loaning money or securities from or to any customer, excluding immediate family members. FINRA also found that Borakowski and Kardaras failed to respond to FINRA requests for information, preventing FINRA from pursuing certain material areas of its investigation. (**FINRA Case #2011029524701**)

Stephen Michael Brown (CRD #1221582, Registered Principal, Terrell, Texas) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Brown failed to respond to FINRA requests to provide documents, information, and testimony in connection with an investigation into the allegations disclosed in a Uniform Termination Notice for Securities Industry Registration (Form U5) or disclosing a civil action brought against Brown by one of his customers. The suit, which resulted in a civil judgment against Brown, related to a private real estate investment that Brown had recommended outside the scope of his employment with the firm. An amended Form U5 disclosed an additional court action against Brown, filed by other customers, alleging that he solicited them to make investments with him directly, rather than through the member firm. (**FINRA Case #2011027616701**)

William Daniel Bucci (CRD #1140193, Registered Representative, Philadelphia, Pennsylvania) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Bucci consented to the described sanction and to the entry of findings that he borrowed $635,000 from brokerage customers. Bucci borrowed $425,000 in multiple loan transactions from an elderly, retired couple who were firm customers. The customers loaned Bucci a portion of the funds by withdrawing money from their brokerage accounts and securing a second mortgage on their home. Bucci borrowed the remaining $210,000 from customers in other transactions. Bucci's member firms' policies and procedures prohibited registered representatives from borrowing money from customers unless the customer was an immediate family member. One firm required the registered representative to obtain approval from its compliance department before borrowing from a customer. None of the customers from whom Bucci accepted loans were immediate family members. Bucci's borrowing activities were neither disclosed to, nor approved by, the one firm. The findings stated that Bucci willfully failed to amend his Form U4 to disclose unsatisfied judgments; the existence of the unsatisfied judgments was a material fact. The findings also stated that Bucci failed to respond to FINRA requests to provide documents and information relating to personal loans, his bank accounts and credit card accounts. (**FINRA Case #2012032571701**)

Blake A. Burkhart (CRD #5017154, Registered Representative, Oklahoma City, Oklahoma) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $15,000 and suspended from association with any FINRA member in any capacity for 15 months. The fine must be paid either immediately upon Burkhart's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Burkhart consented to the described sanctions and to the entry of findings that he submitted order tickets to liquidate mutual fund positions in accounts involving customers. Each order ticket was marked as unsolicited, and included the notation that the client had called and wanted to move out of the fund. The findings stated that in fact, Burkhart recommended the sales but inaccurately marked the order tickets as unsolicited. The findings also stated that by inaccurately marking the order tickets as unsolicited, when they were solicited, Burkhart caused his member firm's books and records to be inaccurate in contravention of SEC Rule 17a-3. The findings also included that Burkhart filed to timely respond to FINRA requests for information.

The suspension is in effect from September 16, 2013, through December 15, 2014. (**FINRA Case #2011029981102**)

Robert Jeffrey Ruston Burr (CRD #2579551, Registered Principal, Alvaton, Kentucky), Kevin Lee Cline (CRD #2448720, Registered Principal, Bowling Green, Kentucky), Vincent Troy Christopher (CRD #5344944, Registered Representative, Bowling Green, Kentucky) and Thomas Clay Gilleland (CRD #5504595, Registered Representative, Bowling Green Kentucky) submitted a Letter of Acceptance, Waiver and Consent in which Burr was fined $10,000 and suspended from association with any FINRA member in any principal capacity for 20 business days; Cline was fined $10,000 and suspended from association with any FINRA member in any capacity for three months; Christopher was fined $5,000 and suspended from association with any FINRA member in any capacity for three months; and Gilleland was fined $10,000 and suspended from association with any FINRA member in any capacity for 30 days. Burr and Christopher's fines must be paid either immediately upon their reassociation with a FINRA member firm following their suspensions, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Burr, Cline, Christopher and Gilleland consented to the described sanctions and to the entry of findings that Cline supervised and solicited sales of an entity's investment and failed to adequately disclose material information to investors. The entity gave money to Cline that he used to pay firm representatives a $2,000 monthly salary in advance of their draws. Some brokers did not repay the salary advances. The findings stated that the entity's offering documents did not adequately disclose that it was indirectly compensating the firm's registered representatives through Cline, but merely disclosed that it assumed responsibility for and paid certain overhead expenses of the firm. A separate agreement between the entity and the firm stated that the entity would not provide funds to pay compensation to representatives. The failure to disclose that Cline used entity funds to pay compensation

to registered representatives was a material omission. The findings also stated that Christopher and Gilleland made exaggerated promises to customers regarding oil and gas interests to be acquired by another entity's partnerships in multiple emails. One customer who received an email from Gilleland made a total investment of $26,400 in the oil and gas securities. Because these emails were communications with the public, Christopher and Gilleland violated NASD Rule 2210(d)(1), which requires such communications to be fair and balanced, and prohibits exaggerated, unwarranted and misleading statements and claims. The findings also included that Burr supervised the office from which Christopher and Gilleland sent the misleading and exaggerated emails and failed to supervise their activities by, among other things, failing to adequately review such communications before they were sent to customers. FINRA found that the Internal Revenue Service (IRS) filed liens against Cline seeking to collect a total of approximately $821,000 and Cline willfully failed to report any of the liens on his Form U4.

Burr's suspension was in effect from October 7, 2013, through November 1, 2013. Cline's suspension is in effect from October 21, 2013, through January 20, 2014. Christopher's suspension is in effect from October 7, 2013, through January 6, 2014. Gilleland's suspension is in effect from October 21, 2013, through November 19, 2013. (**FINRA Case #2008011771601**)

Anthony Michael Cassidy (CRD #2137797, Registered Representative, Verona, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Cassidy's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Cassidy consented to the described sanctions and to the entry of findings that in connection with establishing a traditional individual retirement account (IRA) and a Roth IRA for an investor at his firm, and without the investor's knowledge or authorization, he placed the investor's signature, or caused it to be placed, on documents that Cassidy then submitted to his firm for processing.

The suspension is in effect from September 16, 2013, through December 15, 2013. (**FINRA Case #2012033563301**)

Maurice Joseph Chelliah (CRD #4385058, Registered Principal, Yorba Linda, California) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Chelliah consented to the described sanction and to the entry of findings that he recommended that an elderly customer liquidate mutual fund shares jointly held with her husband to meet their financial obligations. Following the liquidation, the proceeds totaling $90,000 were transferred to Chelliah via checks made payable to one of his outside businesses for him to pay monthly bills and expenses on their behalf, but he used the funds

for his personal benefit. Chelliah converted approximately $90,000 from the customers and has not returned the funds he converted. The findings stated that Chelliah made unsuitable recommendations to the customers to invest in products, which caused them to be unable to keep their mortgage current, pay equity index universal life insurance policy premiums or meet their basic living expenses. The customers were forced to short-sell their home to the mortgagee, and Chelliah's unsuitable recommendations caused the customers to have losses exceeding $330,000.

The findings also stated that Chelliah recommended that other elderly customers refinance their residence and a rental property using adjustable rate mortgages (ARMs), which netted approximately $471,000 after expenses and paying off the existing mortgages. Chelliah recommended that they invest $200,000 of the refinance proceeds in a mutual fund and purchase a $600,000 universal life insurance policy with a $24,000 annual premium. The combined mortgage and monthly payments from the products Chelliah recommended exceeded their monthly income. Chelliah recommended the customers withdraw funds from the mutual fund to meet their monthly payments, deleting their mutual fund within two years. Because the customers were unable to keep their mortgages current, the mortgagee foreclosed on their properties and they incurred losses of approximately $450,000. The findings also included that Chelliah recommended that a third customer refinance his home and use the proceeds to purchase a universal life insurance policy with an annual premium of $30,000 for the first five years. The customer mortgaged his $475,000 home with a $240,000 negative amortization ARM, netted approximately $170,000 in mortgage proceeds after paying loans. The customer's initial mortgage payment was approximately $1,000 per month. Chelliah recommended that the customer invest $50,000 of the mortgage proceeds in a mutual fund. At Chelliah's recommendation, the customer withdrew funds from the mutual fund to keep up with his monthly payment obligations; but because the monthly payments had risen, he was unable to keep his mortgage current. The customer depleted the mutual fund and could no longer keep his mortgage current. As a result of Chelliah's unsuitable recommendations, the mortgagee foreclosed on the customer's home and the customer incurred significant losses. (**FINRA Case #2011029747001**)

Morris Kevin Coats (CRD #4469855, Registered Representative, Belton, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Coats consented to the described sanction and to the entry of findings that he collected cash premium payments totaling at least $4,984 from insurance customers but failed to deposit the funds into the firm's designated premium account. Instead, Coats converted the funds for his personal use. (**FINRA Case #2012034320801**)

Gevorg Daldumyan (CRD #2935809, Registered Principal, Glendale, California) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Daldumyan

consented to the described sanction and to the entry of findings that he failed to appear for on- the-record testimony regarding an investigation into possible investments in a condominium cooperative in Armenia that appeared not to have been disclosed to his member firm. Daldumyan stated he would not appear for testimony at any time. (**FINRA Case #2012033074201**)

Guy Bernard Deemer (CRD #2504584, Registered Representative, Venetia, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, Deemer consented to the described sanctions and to the entry of findings that he and several of his customers were interested in investing in small community bank stocks. To that end, Deemer recommended that his customers purchase or sell thinly traded bank stocks. Deemer's customers were aware that he was invested in the same bank stocks. However, for some customer orders, Deemer was on the opposite side of a transaction, and he failed to disclose to his customers that he was selling or purchasing the same securities from his own accounts on the same day. The findings also stated that in connection with Deemer's transactions, his member firm paid his customers restitution in the aggregate amount of $64,287. This amount covered fees and commissions, as well as price adjustments in connection with those occasions when Deemer received a better price. Some of the times that Deemer traded on the same day as his customers were a result of Deemer previously placing good-til-canceled orders (GTC orders) to sell or buy the bank stocks in his own accounts. The findings also included that Deemer would place GTC orders in the firm's trading system as much as six months in advance; and when the opposing customer trades were placed in the firm's system, these GTC orders were matched and executed from his accounts. Deemer negligently failed to inform his customers that his stocks were on the other side of the trade.

The suspension was in effect from October 7, 2013, through November 1, 2013. (**FINRA Case #2009020617701**)

Shawn Kristi Dicken (CRD #4590563, Registered Representative, Gladwin, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which she was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Dicken's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Dicken consented to the described sanctions and to the entry of findings that she recommended and effected purchases of membership interests in limited partnerships in the accounts of her member firm's customers who were retired, elderly and of limited financial means. The findings stated that the offering memoranda for the limited partnerships stated that the investment was speculative in nature and possessed unique risks, including illiquidity, non-transferability, default risk and adverse market conditions. The findings also stated that by following Dicken's recommendations, the customers

invested in the limited partnerships and their concentrated positions in the limited partnerships were unsuitable, as they exposed Dicken's customers to an unreasonable level of risk of loss and speculation, and resulted in an unsuitable level of concentration in the limited partnerships in their accounts.

The suspension is in effect from October 7, 2013, through January 6, 2014. (**FINRA Case #2012034090301**)

Kenneth Michael Dwyer (CRD #2800981, Registered Representative, Farmingville, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for nine months. The fine must be paid either immediately upon Dwyer's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Dwyer consented to the described sanctions and to the entry of findings that he engaged in excessive trading in customers' accounts, causing the accounts to have cost-to-equity ratios in excess of 20 percent per year. The findings stated that after a customer declined to open a new account in a different name to circumvent margin restrictions, Dwyer, without the customer's authorization, created a new account in the name of the customer's former business and placed an order to purchase shares of a security for $343,719.50. The customer refused to pay for the trade, after which the firm transferred the stock to his individual account. The findings also stated that Dwyer shared a joint registered representative number with another firm representative for customers serviced by both of them. After Dwyer filed for bankruptcy, he arranged for the other representative to allow him to use the representative's individual registered representative number for trades placed by him for joint customers during the pendency of the bankruptcy. As a result, the order tickets for the trades Dwyer placed inaccurately designated the other representative as the registered representative, causing the firm's books and records to be inaccurate.

The suspension is in effect from October 7, 2013, through July 6, 2014. (**FINRA Case #2009016159106**)

Christopher Gerard Galatioto (CRD #5749696, Associated Person, Westport, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon Galatioto's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Galatioto consented to the described sanctions and to the entry of findings that he was responsible for sending a trade recap email to a customer for a transaction effected by a salesperson of Galatioto's firm for the purchase of $1,000,000 nominal value of corporate bonds for the customer; however Galatioto failed to do so. The findings

stated that subsequent to the trade date, the customer denied having any knowledge of the transaction and asserted that it had never received a trade recap email from the firm. Galatioto's supervisor asked him if he sent out a trade recap email for the transaction to the customer on the trade date. The findings also stated that Galatioto misrepresented to his supervisor that he had done so and said that he would locate the email. Galatioto created and sent his supervisor an email that was made to appear as if it has been sent on the trade date. In addition, Galatioto falsely represented to his supervisor that this trade recap email was sent to the customer on the trade date. Without knowledge that Galatioto created a false email, the firm forwarded a copy of the email to the customer. The customer determined that the document had been falsified, and that it had not received any trade recap email for the transaction on the trade date. The findings also included that after conducting an investigation, the firm determined that Galatioto created the email to conceal his failure to send a trade recap email on the trade date. In connection with this misconduct, the firm terminated Galatioto's employment. FINRA found that Galatioto caused the firm's books and records to be maintained inaccurately, in violation of Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4 thereunder.

The suspension is in effect from October 7, 2013, through April 6, 2015. (**FINRA Case #2011030822902**)

Michael Joseph Genovese (CRD #2864042, Registered Representative, Seaford, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Genovese consented to the described sanctions and to the entry of findings that he failed to timely amend his Form U4 to disclose federal tax liens and New York State tax warrants.

The suspension was in effect from October 7, 2013, through November 6, 2013. (**FINRA Case #2013037424101**)

Robert Smith Gesdorf (CRD #1474294, Registered Representative, Naples, Florida) submitted an Offer of Settlement in which he was fined $30,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the allegations, Gesdorf consented to the described sanctions and to the entry of findings that he simultaneously acted as the account representative and was named as a trustee and/or beneficiary on the accounts of numerous customers (some of whom were elderly), contrary to his member firms' policies. The findings stated that Gesdorf claimed he was unaware of many of his or his family members' appointments, but he knew that he had been designated as executor of customers' estates or as successor trustee for their trusts. Gesdorf failed to disclose on a firm annual compliance questionnaire that he had been named as the successor trustee for clients' trusts for clients but only disclosed that he was designated the executor for other clients' estates. The findings also included that despite learning of trustee and beneficiary appointments, Gesdorf did not update

his annual compliance questionnaire responses by informing the firm's compliance department. Likewise, Gesdorf completed an annual compliance questionnaire for another firm, and failed to disclose this related information. Gesdorf completed another annual compliance questionnaire for the second firm and failed to disclose that he had been designated as successor trustee for clients' trust, or that he was trustee and successor beneficiary for another client's trust. Displaying a pattern of material omissions as to his fiduciary and/or beneficiary status, Gesdorf failed to make numerous disclosures.

FINRA found that both of Gesdorf's firms required disclosure of client gifts in excess of $100; but for almost seven years, he failed to disclose at least $30,300 in cash gifts received from clients. Gesdorf failed to disclose he held fiduciary positions or had a financial interest in trust accounts for which he served as the account representative. Gesdorf's dual role created a conflict of interest. Gesdorf's failure to disclose the relationships prevented his member firms from addressing the conflict of interests and from preventing any exploitation of his relationships with customers. FINRA also found that as a result, Gesdorf inherited $1,700,000 from one client, stands to inherit approximately $2,000,000 from a second client and is named as the co-beneficiary of an estate valued at more than $1,000,000 for a third client.

The suspension is in effect from October 21, 2013, through December 20, 2013. (**FINRA Case #2010023157401**)

Paul Gianzanti (CRD #5844055, Registered Representative, Dunmore, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 30 business days. The fine must be paid either immediately upon Gianzanti's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Gianzanti consented to the described sanctions and to the entry of findings that he failed to timely amend his Form U4 to disclose that he was charged in the Court of Common Pleas in Pennsylvania with two misdemeanor counts of fraud and two misdemeanor counts of theft related to his conduct at a casino card table. Gianzanti's Form U4 was amended almost eight months after the date of the initial charges.

The suspension was in effect from October 7, 2013, through November 5, 2013. (**FINRA Case #2012034914001**)

Joseph Anthony Giordano (CRD #1383564, Registered Principal, Grasonville, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Giordano consented to the described sanction and to the entry of findings that he solicited sales of debentures from customers who purchased debentures totaling $704,000 contrary to his member firm's permission to continue to sell debentures but only on an unsolicited basis. Giordano participated in the distribution of unregistered debentures;

Giordano sold approximately $3.1 million of the debentures to firm customers and failed to conduct adequate due diligence regarding the registration status of the debentures prior to recommending and selling them to customers. Giordano's selling activities increased; one year he sold more than $1.4 million of the debentures. Giordano recommended the purchase of debentures to customers for whom they were not suitable investments based on their investment objectives, risk tolerances and financial profiles. Giordano recommended that customers purchase the debentures in their qualified retirement accounts and recommended the purchase of the debentures at unsuitable concentration levels. The findings stated that Giordano made false and misleading statements to the firm in connection with the sale of the debentures when he advised the firm that he was not soliciting sales when, in fact, he was. Giordano had advised the firm that he was not receiving compensation; in one year he received checks totaling $63,900 in connection with the sales of the debentures, but did not disclose it to the firm. The findings also stated that Giordano became aware of instances where redemption checks were returned for insufficient funds and of late redemption payments and returned redemption checks issued by the issuer to investors but continued to solicit additional investors, representing to at least one investor that the debenture was safe and in other instances failed to disclose to investors that the issuer had been experiencing difficulties meeting redemption payments. Giordano's misrepresentations and omissions were material in that he failed to disclose that the issuer had been making untimely redemption payments to existing investors and, in some instances, was unable to pay on maturing debentures. (**FINRA Case #2010024683401**)

Robert Kendrick Gray (CRD #3265733, Registered Representative, Santa Monica, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $15,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Gray consented to the described sanctions and to the entry of findings that while associated with a member firm but before his registration became effective, he offered and sold $1,020,000 in private placement investments to investors. The findings stated that throughout the period Gray was associated with his firm, he also operated another entity, which was an Internet-based business he established to assist entrepreneurs in obtaining financing. Gray maintained the website and was responsible for the content posted on the website, which was not approved by his firm's principal. The findings also stated that after Gray became registered with another firm, he continued to maintain the website and also maintained a website for a second outside business related to venture capital activities. While Gray was associated with these firms, the websites constituted communications with the public as defined by NASD Rule 2210(a). Both websites violated certain content standards set forth in NASD Rule 2210. One website failed to provide the reader with a sound basis for evaluating the information presented, and both websites contained various false and misleading statements and failed to indicate that the securities were offered through his firms.

The suspension is in effect from October 7, 2013, through December 6, 2013. (**FINRA Case #2011025437301**)

Thomas Roland Green (CRD #2879362, Registered Principal, Columbus, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any principal capacity for 30 days. Without admitting or denying the findings, Green consented to the described sanctions and to the entry of findings that FINRA commenced a routine examination of his member firm and requested copies of the firm's annual certifications for certain calendar years, documents relating to the firm's annual certification of its compliance and supervisory processes with securities laws and regulations. The findings stated that the firm could not locate certifications for two of the years, which the firm believed had been previously prepared and signed. The findings also stated that Green, who was the firm's CEO, signed replacement certifications for the missing years, backdated these certifications and provided these new certifications to FINRA. However, Green did not inform FINRA that he had signed replacement certifications and backdated them.

The suspension was in effect from October 7, 2013, through November 5, 2013. (**FINRA Case #2010021007602**)

Stan Russell Hall (CRD #2814722, Registered Principal, Richardson, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $20,000 and suspended from association with any FINRA member in any supervisory capacity for three months. Without admitting or denying the findings, Hall consented to the described sanctions and to the entry of findings that his member firm's AML program required him to monitor for potentially suspicious activity and AML red flags, investigate potentially suspicious activity and report suspicious activity by filing a SAR, as appropriate. The findings stated that the firm, acting through Hall, failed to adequately monitor activity in certain of its customers' accounts. In particular, the firm's AML procedures included a list of red flags that are potential indicia of suspicious activity. The findings also stated that the firm, acting through Hall, failed to adequately supervise and monitor activity, and report it on a SAR, if necessary, where the firm received stock certificates from third parties into a customer's account in the names of the third parties, the shares were liquidated, and the proceeds were distributed by the customer back to the third parties. The firm had a number of foreign associates and processed a significant amount of wires originating from clients in South America. In certain instances, the firm, acting through Hall, did not adequately investigate and monitor some of the wires for suspicious activity or report it, if necessary. Even though a wire transfer by a customer, purportedly to a third party, was to an unrelated third party and the customer's explanation was inconsistent with his stated business purpose and the facts, the firm, acting through Hall, permitted the activity to continue and failed to report it on a SAR, if necessary. In another instance, one of the firm's customers, over the course of approximately one year, deposited $2 million into his account and subsequently transferred those funds through several wire transfers to various third-party bank accounts, but only conducted two securities transactions. The firm, acting through Hall, permitted the activity to continue and failed to report it on a SAR, if necessary. The firm, acting through Hall, permitted an activity to continue and failed to report it on a SAR

when a foreign customer, without explaining why, limited part of a wire transfer below the $10,000 threshold (the government-reporting requirement threshold), when he had earlier attempted to keep other simultaneous transfer disbursements, to an overseas account, slightly below the threshold. The findings also included that the firm, acting through Hall, did not implement an adequate employee AML training program.

FINRA found that the firm, acting through Hall, did not have supervisory procedures to adequately review and monitor the content of an investment-related radio show broadcast by its representative. The firm's WSPs required a registered principal to sign all new account forms, but it failed to act accordingly. The firm, acting through Hall, failed to detect and correct this inappropriate activity. The firm's registered representative sold a private placement outside of the firm. The firm, however, did not recognize that the representative sold one private placement of his outside business that was actually a private securities transaction. The firm, acting through Hall, therefore, failed to obtain further information about the sale, which was necessary to review and approve the sale and to supervise it as a private securities transaction. The firm, acting through Hall, assigned a registered representative's spouse in a branch office to supervise her husband's activity, a potential conflict of interest because the supervisory principal was approving transactions in which she may have had an economic interest. The firm, acting through Hall, failed to designate an appropriate registered principal in its Dallas OSJ to carry out the supervisory responsibilities assigned to that office. FINRA also found that the firm, acting through Hall, failed to conduct annual audits at one of its OSJ branch offices. The firm, acting through Hall, had written inspection reports for its OSJs that failed to include the testing and verification of its supervisory policies and procedures regarding validation of customer address changes and validation of changes in customer account information. In addition, FINRA determined that the firm, acting through Hall, allowed its representatives and supervisors to use outside email addresses to send electronic communications related to the firm's securities business. The firm, acting through Hall, failed to ensure that these outside emails were forwarded or addressed to an email address with the firm's domain name, retained on the firm's email system and reviewed. Moreover, FINRA found that the firm designated Hall as the principal responsible for its supervisory procedures; the firm and Hall failed to timely perform the required testing for two years.

The suspension is in effect from October 21, 2013, through January 20, 2014. (**FINRA Case #2011025621802**)

Nicholas K. Hatanaka (CRD #5341380, Registered Representative, Dorchester Center, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Hatanaka's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hatanaka consented to the described sanctions and to the entry of findings that he electronically forged customers' signatures on account-

opening documents. The findings stated that the customers were existing firm customers, but due to a change in their prime broker or a change in account number at their existing prime broker, the customers needed to complete new account forms. Rather than contact the customers to have the account forms signed, Hatanaka forwarded himself the documents electronically, signed the customers' signatures on the documents using an electronic signature system, and submitted them to the firm. Hatanaka signed the customers' signatures on the documents without their knowledge or permission.

The suspension is in effect from October 7, 2013, through April 6, 2014. (**FINRA Case #2012034972801**)

Veronica Angela Hercel (CRD #2469062, Registered Representative, Phoenix, Arizona) submitted a Letter of Acceptance, Waiver and Consent in which she was fined $5,000 and suspended from association with any FINRA member in any capacity for 30 business days. The fine must be paid either immediately upon Hercel's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hercel consented to the described sanctions and to the entry of findings that she entered into an agreement with a firm customer to borrow $20,000 from the customer and used the loan proceeds to meet personal financial obligations. The findings stated that Hercel began to make payments on the loan but fell behind in her payments. The customer filed a complaint with the firm, which has since paid the loan balance to the customer. The firm's written policies prohibited borrowing from customers.

The suspension was in effect from September 16, 2013, through October 25, 2013. (**FINRA Case #2013035503001**)

Vernon Joseph Hood III (CRD #4356917, Registered Representative, Plano, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for two months. The fine must be paid either immediately upon Hood's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hood consented to the described sanctions and to the entry of findings that he left the employment of a member firm to join another member firm, but before leaving the firm, he downloaded without authorization non-public personal information, as defined by Regulation S-P, from the firm's computer system onto a portable thumb drive. The findings stated that upon arrival at his new firm, Hood improperly used the downloaded information to send letters to the previous firm's customers to request that they move their accounts to his new firm. The non-public personal information related to several of the firm's customers and included, among other things, names, addresses, phone numbers, dates of birth, Social Security numbers and account information.

The suspension is in effect from September 16, 2013, through November 15, 2013. (**FINRA Case #2012032723501**)

Jeffrey Mitchell Isaacs (CRD #2056122, Registered Representative, New Brunswick, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $12,500 and suspended from association with any FINRA member in any capacity for 15 months. The fine must be paid either immediately upon Isaacs' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Isaacs consented to the described sanctions and to the entry of findings that he made negligent material misrepresentations of fact in connection with the sale of private placements to his firm customers, a married couple. The findings stated that Isaacs negligently misrepresented to the customers that an investment was a safe, low-risk investment, misstated its payment terms, and omitted material facts relating to the speculative nature of the investment. The customers invested a total of $100,000 in reliance on these misrepresentations. Isaacs negligently misrepresented to the customers that the other investment was for moderately conservative investors and would pay interest to the investors on a monthly basis. The investment was a speculative one that paid interest only on an accrued basis with the final payment of principal. The customers invested a total of $100,000 in reliance on these misrepresentations. The findings also stated that Isaacs' recommendations of the investments to the customers were unsuitable in light of the customers' age, risk tolerance, net worth and the fact that the customers needed to borrow from their home equity in order to make the investments. In connection with the customers' complaints, Isaacs agreed to compensate them for their investments, paying them approximately $109,902. Isaacs' attempts to settle with the customers were made without his firm's knowledge or consent.

The suspension is in effect from September 16, 2013, through December 15, 2014. (**FINRA Case #2011029683601**)

Rex Arnce Jackson (CRD #846352, Registered Representative, Redlands, California) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for 90 days and ordered to pay $29,500, plus interest, in restitution to customers. The restitution must be paid either immediately upon Jackson's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. In light of Jackson's financial status, the sanctions include an order to pay restitution but do not include a monetary fine. Without admitting or denying the findings, Jackson consented to the described sanctions and to the entry of findings that he borrowed a total of $65,000 from customers of his member firm. The findings stated that the firm did not have any knowledge of these loans until it conducted an internal review. At the time of the loans, the firm's written procedures prohibited registered representatives from borrowing from any clients that were not immediate family members. None of the customers were immediate family members. Jackson has fully repaid two of the customers for their loans.

The suspension is in effect from October 7, 2013, through January 4, 2014. (**FINRA Case #2012031074701**)

Jeffrey Austin Jarrett (CRD #4402927, Registered Representative, Auburn, Indiana) was barred from association with any FINRA member in any capacity and ordered to pay $364,800, plus interest, in restitution to customers. The sanctions were based on findings that Jarrett induced two customers to give him $375,000 to invest but, instead, misappropriated the funds for his own purposes, without their knowledge or authorization, which constituted conversion. The findings stated that Jarrett recommended a customer sell her mutual fund, representing he would invest the proceeds in a money market fund. The customer sold the mutual fund and gave Jarrett a check for $65,000, which he converted to his own use. The findings also stated that Jarrett convinced another customer to sell two annuities, representing he would invest the proceeds in another annuity. The customer sold the annuities and gave Jarrett a check for $310,000, which he converted to his own use. The facts willfully misrepresented and omitted were material and thus, Jarrett acted with scienter. The findings also stated that Jarrett organized a limited liability company, an outside business activity, which he used to receive the funds he converted from the customers and did not disclose his affiliation with that company to his member firm, or his receipt of funds through that entity. The findings also included that Jarrett failed to respond to FINRA requests for documents and information and to appear for an on-the-record interview. Through counsel, Jarrett expressly refused to provide testimony. (**FINRA Case #2012031599601**)

Barry Ephraim Johnson (CRD #5735529, Registered Representative, Liberty Township, Ohio) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Johnson consented to the described sanction and to the entry of findings that he contacted a representative of a private company in an attempt to persuade the company to purchase a group health insurance plan through him, and the representative told Johnson that the company did not wish to switch insurance agents. The findings stated that shortly thereafter, Johnson signed the company representative's name on a letter that he faxed to the company's health care provider, requesting that the agent of record for the company's group health insurance policy be changed from the current agent of record to him. Johnson signed the company representative's name on the agent of record letter without the representative's knowledge or consent, thereby committing forgery. Johnson admitted in writing to signing the representative's name on the agent of record letter without the representative's knowledge or consent. The findings also stated that Johnson failed to respond completely to FINRA requests for information relating to whether Johnson forged the signature of a representative for another company on another agent of record letter in an effort to become the agent of record on that company's group health insurance plan. (**FINRA Case #2012031346401**)

David Charles Kauffman (CRD #2365373, Registered Principal, Carlsbad, California) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Kauffman failed to respond to FINRA requests for information and documents, and failed to provide on-the-record testimony. The findings stated that the FINRA requests were intended to gather information from Kauffman regarding his role and compensation in connection with private securities transactions with investors, as well as, the status of an issuer's business. The findings also stated that this information was necessary to assess whether Kauffman had engaged in conduct that violated federal securities laws and rules, or FINRA or NASD rules, and his failure to respond to the requests impeded FINRA's ability to make that determination. (**FINRA Case #2010024315801**)

Mahmood Ahmad Khan (CRD #2465560, Registered Representative, Douglaston, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for four months. Without admitting or denying the findings, Khan consented to the described sanctions and to the entry of findings that he failed to amend his Form U4 to disclose tax liens totaling $8.43 million against him and the reduced amount of $30,000 the IRS subsequently said he owed. Khan updated his Form U4 only after a firm investigator discovered the liens. The findings stated that two years after receiving notice of the liens, Khan reported outstanding tax liens or judgments totaling $30,122.40 on his Form U4. The findings also stated that over a five-year period, Khan failed to file and pay state and federal taxes. Khan was arrested by the State of New York, and charged with several felonies related to his failure to file and pay $122,018 in state taxes. Khan pled guilty to a disorderly conduct violation and the felony charges were conditionally discharged. The findings also included that Khan did not disclose the felony charges until approximately one year after originally being charged. Khan's attorney advised him that there was nothing to be reported on the Form U4 because the felony charges would be dropped. This advice was incorrect.

The suspension is in effect from October 7, 2013, through February 6, 2014. (**FINRA Case #2012031334601**)

Francis Ross LaRosa Jr. (CRD #2623556, Registered Supervisor, Moorestown, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, LaRosa consented to the described sanction and to the entry of findings that he, or others acting on his behalf, submitted false country club invoices to his member firm that falsely represented that LaRosa incurred allowable business expenses, or falsely represented the amount of allowable expenses that he incurred, at his country club. The findings stated that LaRosa received itemized monthly invoices from his country club, many of which listed personal expenses he incurred that were not allowed under his firm's policies. The findings also stated that LaRosa, in his roles as branch manager and complex manager, approved for payment some of the false invoices. The firm began requiring cover sheets to accompany invoices submitted to the firm for payment. LaRosa,

or others acting on his behalf, further misrepresented in notes on cover sheets submitted with some of the false invoices the personal unauthorized expenses as allowable business expenses or the amount of allowable expenses that LaRosa incurred. The findings also included that by submitting false country club invoices and false cover sheets, LaRosa, without authorization, willfully caused his firm to pay $23,337.24 to the country club for his personal expenses.

FINRA found that LaRosa and his wife each had access to an account the firm maintained at a grocery store chain. The firm maintained written policies stating that employees could use such accounts only for appropriate business purposes. LaRosa and his wife used the grocery store account without authorization for purchases of goods and items for their personal use or for the use of other firm employees. Items purchased for their personal use totaled at least $7,100. LaRosa, or his wife at LaRosa's request, used the account without authorization to purchase gift cards at a total cost of $56,559.85. The firm prohibited employees from using the account to purchase gift cards and prohibited employees from giving gift cards to other employees. In violation of firm policies, LaRosa caused the firm to pay the grocery store for the gift cards. LaRosa gave approximately half of the gift cards to firm employees and gave the remaining gift cards to his wife, who used them for personal use. FINRA also found that LaRosa, or others acting on his behalf, submitted invoices from the grocery store for expenses to the firm for payment, and in doing so, falsely represented that all of the expenses incurred were allowable business expenses when, in fact, at least $63,000 of the total was for personal or other unauthorized, non-reimbursable expenditures. LaRosa, or others acting on his behalf, further misrepresented the unauthorized transactions as allowable business expenses in notes on cover sheets submitted with some of the invoices for purchases at the grocery store. LaRosa approved some of the invoices used to pay the grocery store for improper purchases of gift cards and groceries. In addition, FINRA determined that LaRosa submitted, or caused others to submit, additional false invoices from the country club and cover sheets describing those expenses in order to cause the firm to pay the country club for certain allowed expenses. By submitting, or causing others to submit false invoices and cover sheets to his firm, LaRosa caused the firm to violate Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-3 thereunder. (**FINRA Case #2011027852604**)

Marcos David Leiva (CRD #2720033, Registered Principal, Staten Island, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for 13 months. The fine must be paid either immediately upon Leiva's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Leiva consented to the described sanctions and to the entry of findings that he became aware that a customer was unhappy with the performance of brokerage accounts he formerly maintained with Leiva at two firms. The findings stated that Leiva offered to settle the customer's verbal complaint away from his firm and deposited a total of

approximately $800 into the customer's bank account without his firm's knowledge. The findings also stated that Leiva willfully failed to disclose and/or timely disclose on his Form U4 a tax lien, default judgment, Chapter 7 bankruptcy, and a guilty plea to a misdemeanor, False Report to Law Enforcement, that subjects him to statutory disqualification.

The suspension is in effect from September 16, 2013, through October 15, 2014. (**FINRA Case #2012032658601**)

Christopher John Looney (CRD #1836267, Registered Principal, Dix Hills, New York) was barred from association with any FINRA member in any capacity and ordered to pay $153,844, plus interest, in restitution to a customer. The sanctions were based on findings that Looney engaged in unauthorized trading by putting in purchase orders in the names of customers he cold called to persuade them to open accounts with him at his member firm. The findings stated that none of the customers agreed to invest with Looney; they told him they did not want to do business with him and that they did not want to open accounts with the firm. The customers declared Looney bugged them, and that he called repeatedly and refused to take "no" for an answer. Looney nevertheless put in purchase orders in the names of the customers. The findings also stated that Looney filled out new account forms for customers in which he misrepresented the customers' financial conditions, investment objectives and risk tolerances, causing the creation of false books and records of the firm, which it was required to keep under applicable law and regulation.

The findings also included that Looney engaged in excessive and unsuitable trading in an elderly individual's account. Looney effectively controlled the trading of the individual's account and the individual relied heavily on Looney's advice in making investment decisions. Looney did not discuss all the trades he made on the individual's behalf with the individual before placing the orders. Looney traded the individual's account very aggressively. The trading activity generated a total of $54,688 in commissions, with Looney receiving $38,282 in commissions from the trading activity in the individual's account over a four month-period; and in sharp contrast, the individual lost almost the entire value of the account. FINRA found that Looney's conduct constituted fraud in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and NASD Rules 2110 and 2120. Looney acted solely in his own interest and without regard for the interest of the individual. Looney benefitted from the excessive trading while the value of the customer's account plunged from at least $155,000 to almost nothing in four months. (**FINRA Case #2009016159104**)

Daphne Lee Lyons (CRD #5923597, Registered Representative, Wiggins, Mississippi) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Lyons consented to the described sanctions and to the entry of findings that she serviced a customer's accounts held with her member firm as the representative. The findings stated that Lyons submitted a request to withdraw $34,000 from the customer's

fixed annuity without the customer's knowledge. Lyons told the customer that she had mistakenly requested a withdrawal, and when the check came to the customer, the customer should let Lyons know. When the customer received the check from the annuity manufacturer, Lyons came to pick it up, forged the customer's signature on the $34,000 check and converted the funds. A few days later, the customer contacted the annuity manufacturer to confirm the funds had been replaced, but learned they had not. Shortly thereafter, Lyons repaid the funds to the customer. The findings also stated that in addition to forging the customer's name on the distribution check, Lyons forged the customer's signature on a W-9 Form (Request for Taxpayer Identification Number and Certification) and a Tax Withholding Form. (**FINRA Case #2012030966701**)

Jeffrey Brian Mackevich (CRD #733861, Registered Representative, Wilmette, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $25,000 and suspended from association with any FINRA member in any capacity for seven months. Without admitting or denying the findings, Mackevich consented to the described sanctions and to the entry of findings that he signed his customer's signature to a Letter of Authority (LOA) to effect a request for a change of address, and initially denied to his member firm that he signed the customer's signature on the LOA. The findings stated that Mackevich's firm subsequently terminated him; and as a part of FINRA's investigation, in response to FINRA requests for information, he represented that he did not sign the customer's signature on the LOA. Mackevich subsequently provided FINRA with an amended response admitting that he signed the customer's signature to the LOA, and that he lied to his firm and to FINRA in response to the previous requests.

The suspension is in effect from October 21, 2013, through May 20, 2014. (**FINRA Case #2011029152101**)

Paul James Marshall (CRD #1889692, Registered Supervisor, Marietta, Georgia) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Marshall consented to the described sanction and to the entry of findings that he failed to fully or timely respond to FINRA requests for information and documents. The findings stated that FINRA requested that Marshall provide personal tax returns and copies of statements for bank accounts he controlled. Marshall has failed to provide many of the requested documents, specifically, the bank account statements for entities he controlled. The findings also stated that the requested documents were material to FINRA's investigation, and Marshall's failure to produce them impeded FINRA's ability to conduct the investigation. (**FINRA Case #2011029657101**)

Charles Michael Matisi (CRD #2650170, Registered Representative, Hauppauge, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Matisi consented to the described sanctions

and to the entry of findings that he posted a communication regarding a pharmaceutical company on a publicly available website that was exaggerated, not fair and balanced, and omitted the material fact that he owned 10,000 shares of the company's stock worth approximately $60,000 and several of his customers also owned shares of the company. The findings stated that Matisi made the comment via his Facebook profile, which identified him as a financial planner with his member firm.

The suspension was in effect from October 7, 2013, through October 18, 2013. (**FINRA Case #2012033158601**)

Frank M. Meo Jr. (CRD #1294392, Registered Representative, Lyndhurst, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Meo consented to the described sanctions and to the entry of findings that he facilitated securities investments away from his member firm. Meo facilitated investments by investors in a hedge fund. In addition to introducing the investment to the investors, Meo provided them with documents (e.g. limited partnership agreement, subscription agreement, etc.) and information they needed to effect their investments. These investments were not made through the firm. The findings stated that Meo did not provide written notice to his firm prior to facilitating the investments.

The suspension is in effect from October 21, 2013, through January 20, 2014. (**FINRA Case #2011030366501**)

Thomas O. Mikolasko (CRD #4949607, Registered Principal, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $75,000, which includes disgorgement of $30,000 the firm paid Mikolasko for his participation in a transaction and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon Mikolasko's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Mikolasko consented to the described sanctions and to the entry of findings that he was an investment banker at his firm who engaged in activity to facilitate the firm's sale of $3 million in an entity's notes at the direction of his firm's former CEO. The findings stated that Mikolasko participated in the firm's due diligence prior to selling the entity notes and should have known that there were substantial questions surrounding the legitimacy of the offering. Mikolasko also should have known that additional due diligence was required and that the offering had not been approved by his firm's investment committee. Mikolasko's response to the red flags was inadequate and he continued to participate in various aspects of the offering that facilitated the firm's sale of the offering even though he knew or should have known that the offering had not been approved by his firm's investment committee. Mikolasko was aware of multiple red flags based on the

limited due diligence he conducted, which red flags raised serious questions about the viability of the offering. Mikolasko did not say anything about the red flags in the meetings, thus omitting material information that should have been provided to the firm's retail sales force. As a result of the failure to communicate the material facts to the brokers, Mikolasko negligently caused material omissions of fact to be made to investors in the offering. The finding also stated that Mikolasko signed notes and repurchase agreements as the purported managing member of the entity even though he did not hold any such position with the entity. The firm's former CEO told Mikolasko to sign the agreements. Mikolasko knew or should have known that he did not have the authority to sign on the entity's behalf. The notes and repurchase agreements contained the misrepresentations concerning the collateral for the notes (and also omitted disclosures regarding the firm's former chief executive's indirect ownership and use of the proceeds from the offering, such as the personal loan to an individual). Based on his participation in the due diligence and other aspects of the offering, Mikolasko knew or should have known that the firm had undertaken inadequate steps to determine whether or not the collateral had any value and the transfer of ownership of the collateral to investors as provided in the entity notes had not occurred. The entity notes have defaulted and investors have not been repaid either principal or the promised 100 percent return.

The suspension is in effect from October 7, 2013, through April 6, 2015. (**FINRA Case #2010024522102**)

Micheal Dean Munson (CRD #2374215, Registered Principal, Rogers, Arkansas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Munson consented to the described sanction and to the entry of findings that he failed to respond timely to requests for information regarding, among other things, the distribution of certain investment proceeds. The findings stated that Munson failed to appear for on-the-record testimony FINRA requested. The findings also stated that Munson's failures impeded FINRA's investigation concerning a customer complaint alleging that he had misused a customer's funds. (**FINRA Case #2010025120102**)

William James Murphy (CRD #1437087, Registered Principal, Midlothian, Illinois) was fined $585,174.67, as disgorgement of commissions, and barred from association with any FINRA member in any capacity. The SEC sustained the NAC's findings of violation and sanctions imposed. The sanctions were based on findings that Murphy exercised discretion in clients' accounts without the customers' or his member firm's prior authorization. The findings stated that Murphy engaged in churning and excessive and unsuitable trading in customers' accounts in light of their financial situations and investment objectives. Murphy's extensive trading on margin in one customer's account made his risky options trading even riskier and even less suitable. Murphy violated customer-specific suitability requirements with regard to his trading in the customer's account. The findings also stated that Murphy's trading in the customers' account was for the purpose of generating

commissions and was carried out with reckless disregard of the customers' interests. The findings also included that Murphy effected uncovered trades in a customer's account beyond the levels the customer authorized or Murphy's firm approved. FINRA found that Murphy created and distributed inaccurate, misleading and unbalanced written communications, including reports and sales literature, to a customer. (**FINRA Case #2005003610701**)

Richard Clarence Novack (CRD #1041888, Registered Principal, Chatham, New Jersey) was fined $25,000 and suspended from association with any FINRA member in any principal capacity for one year. The sanctions were based on findings that Novack, as his member firm's financial and operations principal (FINOP), caused his member firm's books and records to be inaccurate by failing to ensure that they reflected all of the firm's actual and contingent liabilities. The findings stated that Novack failed to ensure that his firm's net capital calculations were accurate as recorded in its books and records, and he caused inaccurate calculations of the firm's net capital requirements and actual net capital position to be filed. Novack also failed to ensure that the firm did not effect securities transactions when it had insufficient net capital and failed to ensure that the firm filed the notices required to notify the SEC and FINRA that the firm fell below the amount required by the net capital rule the same day on which the deficiency occurred.

The suspension is in effect from September 16, 2013, through September 15, 2014. (**FINRA Case #2009016159103**)

Mark John Nuovo (CRD #2010167, Registered Representative, Irvine, California) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. In light of Nuovo's financial status, no monetary sanctions were imposed. Without admitting or denying the finding, Nuovo consented to the described sanctions and to the entry of findings that he introduced people, including member firm customers, to a promoter who sold securities offered by a company that purportedly sold and serviced group medical insurance through membership organizations or other large groups. The SEC has filed a complaint in the U.S. District Court for the Northern District of Texas charging two company executives with fraud for operating a Ponzi scheme. Individuals Nuovo introduced to the promoter invested a total of $2.55 million in securities offered by the company and Nuovo personally invested $75,000 in the securities. Nuovo was paid approximately $107,500 for referring investors but did not disclose to potential investors that he would receive compensation. Nuovo misled many potential investors by suggesting he had personally invested between $300,000 and $1,000,000, and that the success of the company would allow him to retire early. Nuovo also gave potential investors misleading materials the company created that overstated its success, falsely projected the return of 100 percent of principal in 12 months, and falsely projected that the investment would provide an annual yield of 1,200 percent. The findings stated that Nuovo failed to disclose his activities to his firm and concealed his activity by using his personal email address and cell phone number to conduct company-

related business. Nuovo also falsely stated that he was not involved in any private securities transactions on compliance forms he submitted to his firm. The findings also stated that Nuovo set up an entity to use for business purposes unrelated to his employment with his firm, including to contract with the medical insurance company for receipt of referral fees and to hold his personal investments in the company; Nuovo established bank accounts and credit cards for the entity that he used to pay for business expenses unrelated to his employment with his firm but did not disclose these activities to his firm. The findings also included that Nuovo falsely stated to the firm that he was only engaged in one outside business activity on compliance forms he submitted to his firm. Nuovo held securities accounts at an outside broker-dealer he had opened before joining the firm but did not disclose those accounts to his member firm. (**FINRA Case #2011030390601**)

Michael Joseph O'Donnell (CRD #1333448, Registered Representative, Monroeville, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $20,000 and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon O'Donnell's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, O'Donnell consented to the described sanctions and to the entry of findings that he participated in private securities transactions without having provided prior notice to his firm. The findings stated that O'Donnell introduced investors to investments in a private equity firm's investment vehicle, some of whom were customers of his firm. The individuals invested approximately $2,225,000 in securities issued by the private equity firm's investment vehicle. The findings also stated that O'Donnell possessed an ownership interest in the private equity firm.

The suspension is in effect from October 7, 2013, through April 6, 2015. (**FINRA Case #2011029459701**)

Philippe Robert Oertle (CRD #5192671, Registered Representative, La Canada, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 15 business days. The fine must be paid either immediately upon Oertle's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Oertle consented to the described sanctions and to the entry of findings that he was sent an email from a customer email account to Oertle's member firm email account, requesting a wire transfer for $44,743 from the customer's account at the firm's affiliated bank to another domestic bank. The email indicated that the customer was in an important meeting and would not be available to speak by telephone. Oertle exchanged emails with the imposter, and entered the information necessary to process the transaction, including noting that the method of initiation for the request from the customer was by telephone. As a result, Oertle prepared a false form that indicated there was a telephone

communication with the customer. However, there was no telephone communication with the customer and all communication regarding this transfer was conducted via email with an imposter that Oertle believed to be the customer. The second portion of the transfer request form was filled out by the affiliated bank's Client Service Officer and the wire was faxed to the Funds Transfer Unit. The findings also included that Oertle received another email from the same customer's email account requesting a second wire transfer for $48,690 from the customer's account at the affiliated bank to another domestic bank. Once again, Oertle obtained the required information via email and completed the affiliated bank's transaction request form indicating the method of initiation for the request via telephone, and prepared a false transaction request form that indicated there was a telephone communication with the customer to confirm the wire transfer instructions.

FINRA found that there was no telephone communication with the customer and all communication regarding this transfer was conducted via email with an imposter that Oertle believed to be the customer. The actual customer became aware of the first transaction and shortly thereafter contacted Oertle. As a result, the second transaction was cancelled prior to completion. In addition, the affiliated bank has since repaid the customer for the first transaction.

The suspension was in effect from October 7, 2013, through October 25, 2013. (**FINRA Case #2012033616101**)

Lawrence Nicholas Passaretti (CRD #1191641, Registered Principal, East Setauket, NewYork) submitted an Offer of Settlement in which he was fined $30,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the allegations, Passaretti consented to the described sanctions and to the entry of findings that he caused to be prepared and disseminated misleading investment portfolio statements to customers. The findings stated that the portfolio summaries contained Passaretti's representation that the statements were based upon sources believed to be reliable. The representation was material, as there was a substantial likelihood that a reasonable investor would consider the representation important in making an investment decision concerning the investor's account, including whether to maintain the holdings in the account. Passaretti acted recklessly, or at a minimum, negligently. The findings also stated that without performing any due diligence, Passaretti lacked a reasonable basis to assert that he believed the source of information regarding the investment in a limited partnership was reliable. In making his representation concerning the reliability of the source of account information as to the investment, Passaretti omitted material facts. Passaretti had reason, based on various warning signs, to doubt the source's reliability and trustworthiness. The findings also included that Passaretti's representation bolstered the credibility of the investment information disseminated, and may have permitted an individual to continue his fraudulent scheme for years by implying that customer funds were in a legitimate investment vehicle. The fund's general partner later pled guilty to securities fraud and conducting a Ponzi scheme in connection with the fund.

The suspension was in effect from October 7, 2013, through November 1, 2013. (**FINRA Case #2009017529101**)

Craig Thomas Podosek (CRD #4602003, Registered Representative, Clayville, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Podosek consented to the described sanction and to the entry of findings that he became Power of Attorney for an elderly individual who was not a customer of his member firm. The findings stated that Podosek deposited checks totaling approximately $300,000 from two of the individual's IRAs into his personal and business accounts, and used the deposited funds for his own use and benefit without the individual's knowledge or authorization. The findings also stated that Podosek took over the finances for his church at the request of the pastor. Podesek had sole responsibility for making deposits, withdrawals and paying bills. Podosek converted approximately $200,000 from the church for his own use and benefit without the church's knowledge or authorization. (**FINRA Case #2013036923101**)

Paul Julian Renard (CRD #2370574, Registered Representative, Green Bay, Wisconsin) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $60,000 and suspended from association with any FINRA member in any capacity for two years. Without admitting or denying the findings, Renard consented to the described sanctions and to the entry of findings that he joined a member firm with many of his clients following him from his previous firm, and many of these clients owned inverse and leveraged ETFs (non-traditional exchange-traded funds) in their investment accounts. The findings stated that the new firm implemented a policy prohibiting its representatives from recommending or soliciting nontraditional ETFs, but customers could hold existing non-traditional ETF positions. The firm informed Renard of this policy at or before the time he joined the firm. The findings also stated that thereafter, Renard entered a buy order for an inverse ETF in a customer account, and marked the trade as solicited, which prompted the firm's compliance department to inform him that the firm did not allow its representatives to solicit customer purchases of nontraditional ETFs. Renard, however, continued thereafter to solicit such transactions. When placing the trades, Renard falsely indicated that they were unsolicited. Renard mismarked as unsolicited several non-traditional-ETF transactions, for which he received more than $53,000 in commissions. The findings also included that given their complexity and high-risk nature, nontraditional ETFs are typically unsuitable for retail investors, and Renard's customers were predominantly individual investors. Some of them had modest investment objectives and minimal tolerance for risk. Nonetheless, Renard recommended non-traditional ETFs to his customers according to a buy-and-hold strategy for a portion of their assets. When the firm terminated Renard, some of his customers' non-traditional ETF positions had been open for more than 600 days.

FINRA found that Renard conducted unapproved external email correspondence and unapproved communications with customers concerning securities and the customers' accounts. The securities-related correspondence that Renard diverted to his external email account included occasions on which he sent independently prepared reprints to customers, without his firm's review and approval. The firm had not approved Renard's external email address for conducting firm business, nor did it monitor that account. The firm's policies expressly prohibited representatives from using external email accounts for business purposes. Renard knew of this prohibition at the time and violated it intentionally. FINRA also found that the State of Wisconsin filed tax liens against Renard and his wife for unpaid income taxes for two years. Renard willfully did not disclose either tax lien on his Form U4 until after the firm had discovered the liens and informed Renard that disclosure was required.

The suspension is in effect from October 7, 2013, through October 6, 2015. (**FINRA Case #2011028484901**)

Peter Louis Rock (CRD #1669569, Registered Principal, New Hope, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for three months. In light of Rock's financial status, no monetary sanctions have been imposed. Without admitting or denying the findings, Rock consented to the described sanction and to the entry of findings that he willfully failed to timely amend his Form U4 to disclose IRS liens against him.

The suspension is in effect from October 7, 2013, through January 6, 2014. (**FINRA Case #2012034927101**)

Morris Rubin (CRD #1045530, Registered Representative, Missouri City, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Rubin consented to the described sanctions and to the entry of findings that he effected transactions in his customers' accounts, without their knowledge, authorization or consent.

The suspension was in effect from October 21, 2013, through November 1, 2013. (**FINRA Case #2012034765301**)

Peter James Salvato (CRD #1815770, Registered Principal, Spring Hill, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $2,500 and suspended from association with any FINRA member in any capacity for 10 business days. The fine must be paid either immediately upon Salvato's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Salvato consented to the described sanctions and to the entry of findings that while at his member firm, he opened a brokerage account at another firm and indicated

"retired" under employment and responded "no" to the question regarding affiliation with an NASD member when completing the new account application. Salvato also reaffirmed his supposed retired status and lack of NASD affiliation when he signed a change request form for the outside account later that year. The findings stated that Salvato did not provide written disclosure of the account to his firm and certified he was aware of the obligation to disclose outside accounts but still did not do so. Salvato explicitly answered "no" to the question on the firm's financial services annual written attestation asking whether he maintained, or had maintained, an account with another broker-dealer. The findings also stated that in his account at the other firm, Salvato purchased a low-priced stock that was being traded at the same time in many customer accounts at his member firm.

The suspension was in effect from October 7, 2013, through October 18, 2013. (**FINRA Case #2011030210102**)

William Edward Schloth (CRD #2644188, Registered Principal, Fairfield, Connecticut) submitted an Offer of Settlement in which he was fined $20,000 and suspended from association with any FINRA member in any principal capacity for 22 months. The fine must be paid either immediately upon Schloth's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Schloth consented to the described sanctions and to the entry of findings that he was the principal at his member firm responsible for supervising a registered representative. The findings stated that Schloth knew that the representative had a business arrangement with a non-registered and statutorily disqualified individual. Schloth failed to implement a system to appropriately supervise, or otherwise monitor, the representative and the individual's relationship to ensure that the representative was not aiding and abetting the individual to participate in the securities business despite his non-registered and statutorily disqualified status. The findings also stated that Schloth did nothing to adequately supervise this relationship. Schloth did not independently verify the representative's representations to him, that she was not facilitating trades for the individual or paying him for a commission-driven business. Schloth did not review the Service Agreement of the individuals, of which his firm was aware of and had approved. Schloth did not request from the representative her business' general ledger or bank statements, or copies of the non-registered individual's business invoices issued to the representative's business. The findings also included that while Schloth represented to FINRA that following the examination of the firm he periodically requested and reviewed the representative's business general ledgers and the non-registered individual's business invoices, at no point did he do anything else to independently verify the scope of her relationship with the individual or his business, or otherwise follow up on any red flags that should have put him on notice to heighten or otherwise alter his supervision of the representative. Schloth did not independently contact her brokers, traders or public customers to inquire whether the non-registered individual was involved in the trading activity.

The suspension is in effect from September 16, 2013, through July 15, 2015. (**FINRA Case #2010025087302**)

William Edward Schloth (CRD #2644188, Registered Principal, Fairfield, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $20,000 and suspended from association with any FINRA member in any principal capacity for six months. The fine must be paid either immediately upon Schloth's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Schloth consented to the described sanctions and to the entry of findings that as CEO, chief financial officer (CFO) and FINOP of the firm, Schloth handled all investment banking responsibilities at the firm, including interactions with current and potential banking clients, conducting due diligence on possible investment banking deals to be sold by the firm and supervising any private placement transactions. The findings stated that Schloth was responsible for the firm's WSPs; however, he was not the firm's CCO or municipal securities principal. Schloth failed to conduct adequate due diligence on a firm private placement offering and failed to ensure that the firm established, maintained and enforced an adequate supervisory system, including WSPs, addressing due diligence of private placements. The findings also stated that Schloth was the registered principal responsible for the supervision of all firm registered representatives when a registered representative sent an email regarding a private placement offering to current and prospective investors. The email, which Schloth reviewed and approved, constituted a communication with the public and contained various false and misleading statements. The findings also included that Schloth failed to ensure that the firm established, maintained and enforced an adequate supervisory system, including WSPs, addressing, *inter alia*, municipal securities, safeguarding customer information and the retention of business-related communications. The WSPs were not tailored to address the needs of the firm's business and they provided little useful guidance as to what reviews and other supervisory steps were required by firm personnel. Schloth also failed to enforce certain firm procedures, including those requiring the firm to contract with its clearing firm to provide material disclosures to customers prior to purchasing a municipal security, relating to the inspection of the firm's branch offices and regarding the use of personal email addresses for sending business related emails.

The suspension is in effect from September 16, 2013, through March 15, 2014. (**FINRA Case #2012030527501**)

Edward Francis Scro (CRD #2321985, Registered Representative, Naples, Florida) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Scro made unsuitable recommendations to elderly customers who needed stable monthly income and who were unsophisticated investors. The customers invested in risky, illiquid investments, sold mostly by PPMs. Contrary to the warnings in the PPMs and other offering documents, Scro told the customers he was recommending a strategy

to protect their principal while earning a very high interest rate with little or no risk. The customers relied on Scro and did not read the PPMs or other documents. The findings stated that besides recommending risky and illiquid investments, Scro recommended an unsuitable level of concentration in real estate-related investments. The findings also stated that Scro used a business card that falsely represented he had a Masters of Business Administration (MBA) degree when he did not have an MBA. One customer said that the credentials on Scro's business card made him trust Scro. The findings also included that Scro failed to provide FINRA with presentation materials used in seminars, any business cards and certain personal bank statements, and failed to provide requested on-the-record testimony. (**FINRA Case #2010022246101**)

James Frederick Seramba (CRD #2580051, Registered Principal, Kernersville, North Carolina) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Seramba's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Seramba consented to the described sanctions and to the entry of findings that he discovered that a civil judgment related to his divorce ordering him to pay $136,035 had been entered against him. The findings stated that in connection with becoming associated with a member firm, Seramba completed and submitted a Form U4, but failed to disclose as required that a civil judgment had been entered against him.

The suspension was in effect from September 16, 2013, through October 15, 2013. (**FINRA Case #2013036291901**)

Steven Marc Simmons (CRD #2957967, Registered Principal, Westport, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Simmons consented to the described sanction and to the entry of findings that he misappropriated $4,990 from his member firm by claiming and receiving reimbursement for expenses that he had not incurred. The findings stated that Simmons submitted an expense report to his firm that included a $2,495 invoice for a conference that Simmons had attended and altered the invoice by applying a paid date stamp. Simmons had attended the conference, but had been permitted by the conference sponsor to defer payment. Simmons received payment for this unincurred expense from his firm and did not pay for the conference until after he had been terminated from the firm. Simmons submitted another expense report to his firm that included a request for $2,495 as reimbursement for a conference that he had attended. Simmons included in the expense report an email from the conference sponsor referencing the $2,495 attendance fee and altered the email by applying a paid date stamp to the email. Simmons received payment for this unincurred expense from his firm. The conference fee was eventually waived and Simmons never paid it. (**FINRA Case #2012031013101**)

Mitchal Elsworth Smith (CRD #5868207, Associated Person, Midvale, Utah) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Smith's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Smith consented to the described sanctions and to the entry of findings that he signed customers' signatures to insurance documents, including policy receipts and insurance illustrations. The findings stated that while Smith did not have authorization to sign on the customers' behalf, the transactions, the subject of the falsified documents, were authorized by the customers.

The suspension is in effect from September 16, 2013, through September 15, 2015. (**FINRA Case #2012033730301**)

Thomas Q. Tang (CRD #4109886, Registered Representative, Colorado Springs, Colorado) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for five business days. Without admitting or denying the findings, Tang consented to the described sanctions and to the entry of findings that his member firm issued a letter of education to him concerning his use of discretion in a client's account, and Tang responded that he understood the firm's policy on discretionary accounts. The findings stated that subsequently, Tang exercised time and price discretion in instances involving customer accounts, as he again failed to speak to the customers on the date of execution of the order. Tang did not have written authorization to exercise discretion over the accounts, and the firm, which did not permit discretion, had not designated any of those accounts as discretionary.

The suspension was in effect from October 21, 2013, through October 25, 2013. (**FINRA Case #2011028861501**)

Rodney Larry Watkins Jr. (CRD #3091936, Registered Representative, Sand Springs, Oklahoma) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for three months. In light of Watkins' financial status, no monetary sanctions have been imposed. This sanction takes into consideration that the State of Oklahoma previously sanctioned Watkins for the activities in question. Without admitting or denying the findings, Watkins consented to the described sanction and to the entry of findings that he exercised discretionary power in customer accounts, without written customer authorization and written approval by his member firm. The firm did not permit discretionary trading without written authorization. The findings also stated that Watkins, in accommodation to his customers, also recycled customer signatures and signed customer signatures without authorization on various documents, including annuity and brokerage cash distribution and redemption forms, beneficiary change forms, annuity receipts and annuity disclosure forms.

The suspension is in effect from October 21, 2013, through January 20, 2014. (**FINRA Case #2011029407801**)

Gregory Louis Zerillo (CRD #2777946, Registered Principal, Franklin, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for eight months. Without admitting or denying the findings, Zerillo consented to the described sanctions and to the entry of findings that he accepted gifts of $189,000 in money orders from an elderly customer of his, in $1,000 increments. Zerillo deposited $161,000 of the money orders in batches of $10,000 or less, into his checking account. The findings stated that following an anonymous tip regarding the money orders, the firm conducted an investigation during which investigators visited Zerillo's office and recovered an additional $24,000 in money orders he had not yet deposited. Firm procedures prohibited registered representatives from accepting gifts in the form of cash or its equivalent. Zerillo had instructed the customer to provide him with money orders to minimize the possibility that the firm would detect the gifts. Zerillo's manner of deposits was intended to conceal from the firm his acceptance of the money orders from the customer. Zerillo failed to observe high standards of commercial honor and just and equitable principles of trade.

The suspension is in effect from September 16, 2013, through May 15, 2014. (**FINRA Case #2012033819001**)

Complaints Filed

FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Keith Douglass Geary (CRD #2996679, Registered Principal, Edmond, Oklahoma) was named a respondent in a FINRA complaint alleging that he made material misrepresentations or omissions to his investor customers, a bank and an individual, one of the bank's majority shareholders, in connection with a re-collateralization of certain Private Label Collateralized Mortgage Obligations (PL CMOs) that was undertaken, in part, to bring the bank into compliance with Federal Deposit Insurance Corporation (FDIC) and the State of Oklahoma regulatory banking requirements. Based on the concerns raised by both the FDIC and the Oklahoma State Banking Department, the bank grew concerned about its ability to continue holding the PL CMOs in its portfolio. The bank told Geary that it wanted to sell a majority of the PL CMOs prior to a FDIC exam. The complaint alleges that around the same time that the bank decided to sell the PL CMOs, Geary created a limited liability company for the purpose of purchasing downgraded PL CMOs, adding credit enhancement

to the PL CMOs in the form of zero-coupon U.S. Treasuries with a par value equal to their principal to provide credit support should there be any mortgage defaults in the PL CMOs, and then pooling the securities together to create a new, purportedly AAA-rated security. Geary, via his company, would then sell the pooled, mortgage-backed securities, as well as the zero coupon U.S. Treasuries, back into the marketplace by offering them as mortgage- or asset-related securities, consisting of separate classes of notes of his company. Geary's member firm served as placement agent for the offering. The complaint also alleges that Geary informed the bank that he was interested in purchasing the PL CMOs that it wanted to sell and of his intention to integrate them into a new securities product that would be issued by the newly formed company. Geary advised the bank that it should obtain additional bids for the PL CMOs. The bank received other bids and Geary's company, through his member firm, submitted the highest bid that was closest to book value, which at the time was approximately $11,000,000. The bank accepted Geary's company's bid unaware that his company did not have sufficient funds to pay the bid amount. Geary did not disclose this fact to the bank. Geary misrepresented to the firm, via individuals at the bank, or the bank's board, that he had buyers for both classes of notes. Geary caused the bank to execute a Securities Purchase Agreement (SPA) and a Customer Agreement, with the bank as seller and his company as purchaser, The complaint further alleges that Geary intentionally or recklessly made false and misleading misrepresentations or omissions to the bank and the individual regarding material facts in connection with its sale of the PL CMOs, and made false and misleading misrepresentations or omissions to the bank that buyers existed for the new securities when he did not have any buyers. By the time Geary disclosed that no buyers existed, the bank did not have any viable alternative other than to invest in the transaction, simply to get the PL CMOs off of its books and paid for. In addition, the complaint alleges that Geary made negligent material misrepresentations or omissions to the bank and the shareholder that were all false or misleading regarding the rating of the securities, their profitability and liquidity. Geary willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, and FINRA Rules 2010 and 2020. (**FINRA Case #2011026788801**)

Paul Stuart Schechter (CRD #2589423, Registered Representative, Mt. Sinai, New York) was named a respondent in a FINRA complaint alleging that he cold-called individuals to sell them stock, opened new accounts in their names and placed orders to buy stocks in their names without discussing financial condition, risk tolerance or investment objectives, and without their authorization. Schechter made a trade in one individual's account using margin without authorization. The complaint alleges that Schechter made recommendations to the customers without obtaining accurate information necessary to make suitability determinations and created new account documentation which set forth false, inaccurate and/or baseless information regarding the customers' income, net worth, investment experience and/or risk tolerance. Schechter caused his member firm to violate Section 17(a) of the Exchange Act and Rule 17a-(3)(17)(i)(A) by creating and maintaining false records of these items. The complaint also alleges that Schechter caused individuals to make excessive trades in their accounts that resulted in annualized cost-to-equity ratios ranging from approximately 57 percent to 235 percent. (**FINRA Case #2009016159107**)

Firm Expelled for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320

A.B. Watley Direct, Inc. (CRD #18663)
New York, New York
(September 6, 2013)
FINRA Case #2010021157902

Firms Cancelled for Failure to Pay Outstanding Fees Pursuant to FINRA Rule 9553

Potomac Securities, LLC (CRD #144443)
McLean, Virginia
(September 19, 2013)

Saybrook Capital Corporation (CRD #26398)
Los Angeles, California
(September 11, 2013)

West America Securities Corp. (CRD #35035)
Las Vegas, Nevada
(September 11, 2013)

Firms Cancelled for Failure to Meet Eligibility or Qualification Standards Pursuant to FINRA Rule 9555

KBR Capital Markets, LLC (CRD #128800)
Palo Alto, California
(September 27, 2013)

Sethi Financial Investments, Inc. (CRD #129292)
Plano, Texas
(September 25, 2013)

Firms Suspended for Failure to Supply Financial Information Pursuant to FINRA Rule 9552

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

KBR Capital Markets, LLC (CRD #128800)
Palo Alto, California
(September 20, 2013)

Obsidian Financial Group, LLC (CRD #104255)
Woodbury, New York
(September 3, 2013)

Firm Suspended for Failure to Pay Annual Assessment Fees Pursuant to FINRA Rule 9553

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

KBR Capital Markets, LLC (CRD #128800)
Palo Alto, California
(September 18, 2013)

Individuals Barred for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(h)

(If the bar has been vacated, the date follows the bar date.)

Armando R. Aleman (CRD #5510223)
Weslaco, Texas
(September 3, 2013)
FINRA Case #2012034621301

David Steven Anderson (CRD #4933936)
Mound, Minnesota
(September 3, 2013)
FINRA Case #2012034507601

Sheretta Antoinette Bailey (CRD #5400845)
Fort Worth, Texas
(September 9, 2013)
FINRA Case #2013035564401

John Patrick Bamber (CRD #2660922)
Bloomingdale, Illinois
(September 30, 2013)
FINRA Case #2013036428601

Jonathan Lee Burkhart (CRD #5643931)
Glen Allen, Virginia
(September 6, 2013)
FINRA Case #2013035686401

Patrick Calizaire (CRD #5364593)
Brooklyn, New York
(September 20, 2013)
FINRA Case #2013036758101

Aaron James Dove (CRD #4185236)
Aurora, Ohio
(September 3, 2013)
FINRA Case #2013035803401

Monika Lena Englund (CRD #4956650)
Lantana, Florida
(September 23, 2013)
FINRA Case #2013036574401

James Phillip Garcia (CRD #4063640)
Costa Mesa, California
(September 23, 2013)
FINRA Case #2012032909802

James Allen Hall (CRD #2250942)
Mt. Verde, Florida
(September 17, 2013)
FINRA Case #2012032544201

Nancy Bolt Hill (CRD #4653852)
Summerland, California
(September 30, 2013)
FINRA Case #2013035713701

David L. Kashner (CRD #4954668)
Houston, Texas
(September 9, 2013)
FINRA Case #2012035171001

Ray D. Kincannon (CRD #5451767)
Plano, Texas
(September 6, 2013)
FINRA Case #2013036043301

Jason Peter Martino (CRD #4784457)
Port Jefferson Station, New York
(September 9, 2013)
FINRA Case #2013036409101

Alberto Moran (CRD #6081535)
Barry, Texas
(September 9, 2013)
FINRA Case #2013036210801

James Pappas III (CRD #1577089)
Howell, New Jersey
(September 20, 2013)
FINRA Case #2012034593101

Tony Rados (CRD #5487484)
Syracuse, New York
(September 24, 2013)
FINRA Case #2013036810601

Blake Bancroft Richards (CRD #4051402)
Buford, Georgia
(September 23, 2013)
FINRA Case #2013036836401

Patsy Lynne Ritchey (CRD #4900826)
La Vernia, Texas
(September 16, 2013)
FINRA Case #2013036420001

Rosa Julia Rodriguez (CRD #5856661)
Sunrise, Florida
(September 16, 2013)
FINRA Case #2013036211101

Pamela Michelle Shafer (CRD #2908999)
Somerville, New Jersey
(September 16, 2013)
FINRA Case #2012031621401

Lynn Alan Simon (CRD #729413)
Newburgh, Indiana
(September 13, 2013)
FINRA Case #2013037057901

Randall Glen Starks (CRD #4527783)
Clarksville, Tennessee
(September 30, 2013)
FINRA Case #2013036910801

Donna Jessee Tucker (CRD #4696985)
Roanoke, Virginia
(September 23, 2013)
FINRA Case #2013036787301

Individuals Revoked for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320

(If the revocation has been rescinded, the date follows the revocation date.)

Jared Clayton Jenkins (CRD #5818549)
Hopkins, Minnesota
(September 23, 2013)
FINRA Case #2011029509401

Scott Stafford McLean (CRD #1685108)
Manahawkin, New Jersey
(September 3, 2013 – September 10, 2013)
FINRA Case #2010024607501

James Calvin Wylie Jr. (CRD #834405)
Ponte Vedra Beach, Florida
(April 5, 2012 – August 7, 2013)
FINRA Case #2010024027601

Individuals Suspended for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(d)

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Scott Edward Cox (CRD #5788749)
Chambersburg, Pennsylvania
(September 12, 2013)
FINRA Case #2013035798001

Cynthia Ann Eisenhower (CRD #2600759)
San Rafael, California
(September 16, 2013)
FINRA Case #2013035428701

Christopher Frank Foster (CRD #4759437)
Framingham, Massachusetts
(July 11, 2013 – September 25, 2013)
FINRA Case #2013036367401

Steven Christopher Howard (CRD #4305553)
Las Cruces, New Mexico
(September 9, 2013)
FINRA Case #2013037324001

Kathleen A. Mango (CRD #5638182)
Smithtown, New York
(September 6, 2013)
FINRA Case #2013037424301

Jill Sherwood Mirabito (CRD #1205368)
Apalachin, New York
(September 3, 2013)
FINRA Case #2013037091901

Samuel Riojas (CRD #6040836)
Moore, Oklahoma
(September 9, 2013)
FINRA Case #2013037070401

Redonda Lawrence Russell (CRD #2352819)
Fort Worth, Texas
(September 20, 2013)
FINRA Case #2013037695301

Aaron Michael Sharp (CRD #5448778)
Savannah, Georgia
(September 5, 2013)
FINRA Case #2012033723901

Steele Vincent Stephens (CRD #1081772)
Little Rock, Arkansas
(September 9, 2013)
FINRA Case #2013037062301

Diana C. Waldrep (CRD #5680430)
Mt. Pleasant, South Carolina
(September 20, 2013)
FINRA Case #2013035884101

Individuals Suspended for Failure to Comply with an Arbitration Award or Settlement Agreement Pursuant to FINRA Rule 9554

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Enver Rahman Alijaj (CRD #4943780)
New York, New York
(September 30, 2013)
FINRA Arbitration Case #12-02595

Daniel Peter Ashby (CRD #4150746)
Yuba City, California
(May 17, 2010 – September 30, 2013)
FINRA Arbitration Case #09-05646

Vladimir Alexeyvich Belinsky (CRD #846987)
Orinda, California
(April 16, 2007 – September 20, 2013)
FINRA Arbitration Case #04-00615, consolidated with FINRA Arbitration Case #05-01800

Matthew Scott Burcar (CRD #4808590)
Frisco, Texas
(September 16, 2013)
FINRA Arbitration Case #12-02506

Stephen Duncan Grant (CRD #2447319)
San Francisco, California
(April 18, 2013 – September 9, 2013)
FINRA Arbitration Case #12-00066

Osbert Hewin Haynes Jr. (CRD #2880011)
New York, New York
(August 21, 2013 – September 17, 2013)
FINRA Arbitration Case #12-02209

Bambi Iris Holzer (CRD #1088028)
West Hollywood, California
(September 18, 2013)
FINRA Arbitration Case #11-02257

Wing Kin Lim aka Kent Lam (CRD #4386496)
Brooklyn, New York
(March 16, 2012 – September 17, 2013)
FINRA Arbitration Case #11-01177

Brandon Joseph Vassallo (CRD #4765892)
Mount Sinai, New York
(September 16, 2013 – September 30, 2013)
FINRA Arbitration Case #11-01462

FINRA Seeks Cease and Desist Order Against John Carris Investments and CEO George Carris for Fraud

FINRA Files Amended Complaint Charging Fraud and Stock Manipulation

The Financial Industry Regulatory Authority (FINRA) announced that it has filed for a Temporary Cease-and-Desist Order against John Carris Investments, LLC (JCI) and its CEO, George Carris, to immediately halt solicitations of its customers to purchase Fibrocell Science, Inc. stock without making proper disclosures. FINRA alleges that during May 2013, JCI fraudulently solicited its customers to buy Fibrocell stock, without disclosing that during the same time period, Carris and another firm principal were selling their shares.

FINRA also issued an **amended complaint** against JCI, Carris, and five other firm principals alleging additional fraudulent activity and securities violations. In the complaint, FINRA alleges that while JCI acted as a placement agent for Fibrocell, Carris and the firm artificially inflated the price of Fibrocell stock by engaging in pre-arranged trading and by making unauthorized purchases of Fibrocell stock in customers' accounts.

FINRA also alleges that Carris and JCI fraudulently sold stock and notes in its parent company, Invictus Capital, Inc., by not disclosing its poor financial condition. In the complaint, FINRA states that JCI and Carris misled Invictus investors by paying dividends to Invictus' early investors with funds that were, in fact, generated by new sales of Invictus securities. JCI and Carris did not have any reasonable grounds to expect economic gains for Invictus investors. As of March 2013, Invictus Capital had defaulted on $2 million of Invictus notes sold to earlier John Carris Investments customers, did not have funds to repay them, and has stated that it may be required to use proceeds from its ongoing offering to make repayments. JCI continues to solicit new investments in Invictus – an investment that FINRA alleges is wholly unsuitable.

In addition, FINRA alleges that JCI issued false documentation that failed to reflect the firm's payments for Carris' personal expenses (such as tattoos, pet care and a motorcycle), and failed to remit hundreds of thousands of dollars in employee payroll taxes to the United States Treasury.

Under FINRA rules, the individuals and firms named in a complaint can file a response and request a hearing before a FINRA disciplinary panel. Possible sanctions include a fine, an order to pay restitution, censure, suspension or bar from the securities industry. The issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding, in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint.